

1-1-1926

Pace Student, vol.11 no 11, October, 1926

Pace & Pace

Follow this and additional works at: https://egrove.olemiss.edu/acct_pace



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

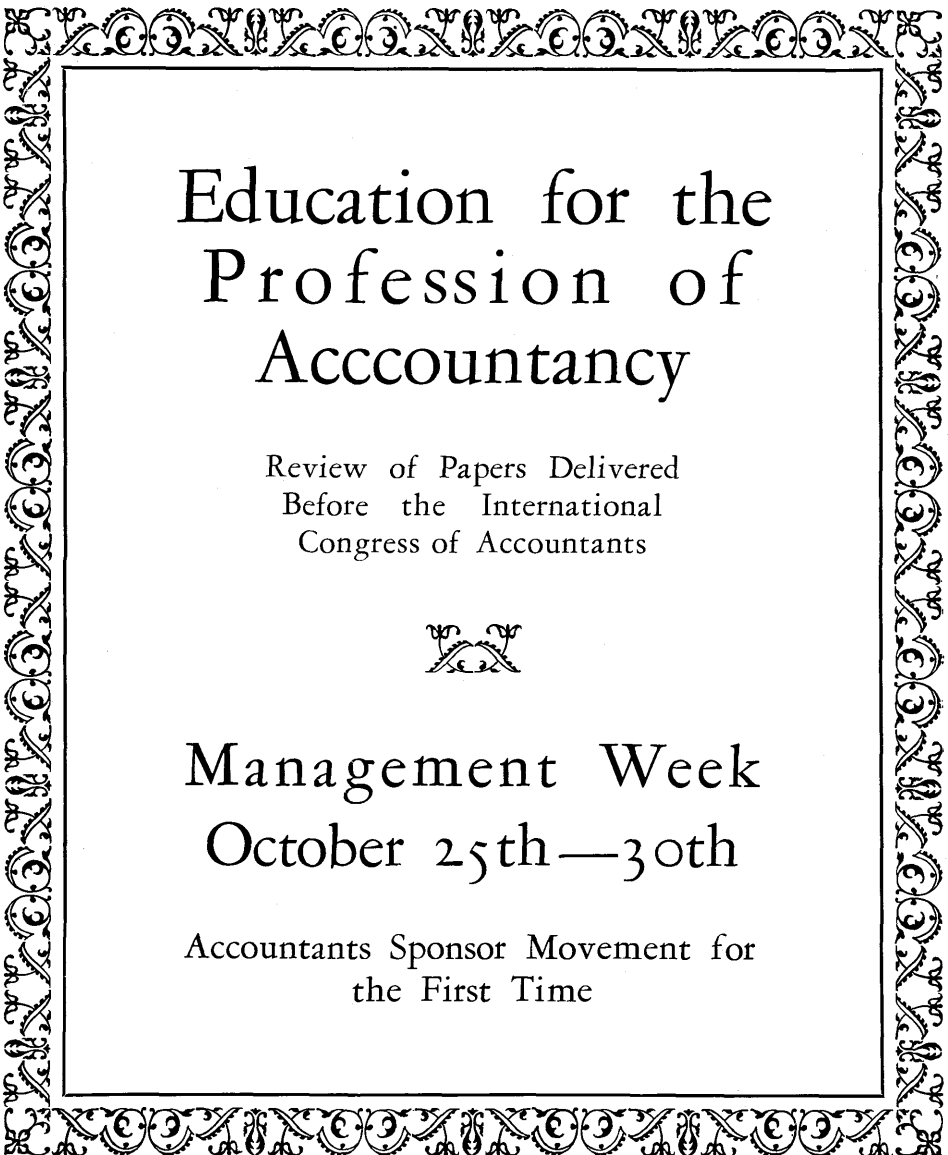
Pace & Pace, "Pace Student, vol.11 no 11, October, 1926" (1926). *The Pace Student*. 128.
https://egrove.olemiss.edu/acct_pace/128

This Article is brought to you for free and open access by the Accounting Archive at eGrove. It has been accepted for inclusion in The Pace Student by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

The Pace Student

For the Person of Receptive Mind

October, 1926



Education for the Profession of Accountancy

Review of Papers Delivered
Before the International
Congress of Accountants



Management Week October 25th—30th

Accountants Sponsor Movement for
the First Time

CONTENT *of the* MAGAZINE

| | |
|--|------|
| EDITORIALS | I, 2 |
| JOHN T. KENNEDY— <i>Biographical Sketch</i> | 2 |
| EDUCATION FOR THE PROFESSION OF ACCOUNTANCY | 3 |
| NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS— <i>Historical Sketch</i> | 6 |
| PROFITS FROM ENDOWMENT SECURITIES | 9 |
| CONTROL OF STOCK IN BRANCH STORE— <i>Technical Article</i> | 10 |
| UNIFORM SYSTEM OF ACCOUNTS | 13 |
| REFEREES IN BANKRUPTCY | 14 |
| PAUL H. KING— <i>Biographical Sketch</i> | 15 |
| MANAGEMENT WEEK, OCTOBER 25TH-30TH. | 16 |
| RECOLLECTIONS OF EARLY DAYS OF ACCOUNTANCY | 18 |
| ACCOUNTANTS' COMMITTEE MEETING, AMERICAN ARBITRATION ASSOCIATION | 21 |
| ALL-DAY MEETINGS OF NEW YORK AND NEW JERSEY SOCIETIES. | 22 |
| WHO AUDITS THE BANKS? | 23 |
| THRIFTY NEW YORKERS | 24 |

The Pace Student

A magazine for the student—for “one who practices studying and investigation”—and, generally, for all persons of receptive mind, published monthly by PACE & PACE, of 30 CHURCH STREET, NEW YORK, at a yearly subscription price of \$3.00

HOMER S. PACE, *Editor*

CHARLES T. BRYAN, *Associate Editor*

ROBERT S. PACE, *Managing Editor*

The Pace Student

VOL. XI

October, 1926

No. 11

The Branch Bank

THE local communities of this country are still served largely by banks purely local in character. In Canada an entirely different condition exists—each local community is served by one or more banks each of which is merely a branch of a bank of large capital located in one of the principal cities of the country.

In the border states and provinces, in which there is a contrast between the two methods—such a contrast as exists, for example, between Montana and Alberta—the local business man, while admitting the greater safety of the branch bank, is likely to feel that a branch bank, managed by a salaried employee who is often sent to the community from a distant city, is not as responsive to local business needs as a bank purely local in character. While the less sympathetic attitude of the branch bank admittedly often retards the development of a community, there is, however, the safeguard against the local enthusiasm which often results in over-extension of credits.

So far as opinion in our own country is concerned, the sentiment is strongly in favor of a bank which is local in character, which is officered entirely by people who are an integral part of the community, and which is more responsive to local needs and views than a branch bank whose general policies are fixed by a far-distant directorate.

This opinion will place a practical limitation for a good many years to come upon the extension of the branch idea in banking, particularly in the western states—a limitation that is in decided contrast with the branch ideas

THE all-day-and-evening meeting idea is everywhere gaining ground among accountants. The New York and New Jersey state societies, as elsewhere stated in this issue, will meet in October. Full reports of these meetings will be given in the November issue.

An autumn affair of this kind provides a means for organizing the society's work for the year and is in every way desirable and beneficial.

—THE EDITOR.

as expressed in the establishment of chain-store outlets. The latter idea is as popular in the west as in the east, and local prejudice against it is rapidly disappearing. The development of the branch idea in banking, notwithstanding certain unquestioned advantages of the method, is likely, for the reasons given, to be much slower.

Reserve Principle in Banking

UNTIL the enactment of the Federal Reserve banking law, for a period of 75 years or more, national banks were forbidden to establish branches. Each bank played a lone hand, and in times of stress increased its reserves by curtailing credits. Here was found a principal cause for various financial panics, such as the one of 1893. This procedure was largely remedied by the Federal Reserve Banking Act, under which national banks are allowed to establish branches and reasonable provision is made for the

extension of credits in times of financial stress.

In the studies made preliminary to the enactment of the Federal Reserve legislation, it was found that the English and Canadian systems, which provide for central reserve banks with local branches, produced a greater volume of credit with a given amount of gold than did our method of individual banks, and at the same time afforded a greater insurance against financial panics. These facts were a potent factor in obtaining the support which was necessary for the passage of the Federal Reserve Act.

Referees in Bankruptcy

GR EAT significance can be read into the action of the referees in bankruptcy of the country in organizing a national association, following a two-day conference in Detroit in July, the announced purposes of which include betterment of practice in bankruptcy. This action comes at about the time when the recently enacted amendments to the National Bankruptcy Act became effective; likewise, at a time when the business public, because of the heavy losses caused by bankruptcy and other business frauds, and because of the public discussion of bankruptcy problems attendant on the passage by Congress of the amendment to the bankruptcy law, is particularly well informed as to the weaknesses of the bankruptcy system and has clear-cut ideas as to what it would like to see in the way of reforms in bankruptcy practice. On the shoulders of the referees in bankruptcy rests most of the responsibility for instituting reforms and for

putting into effect a business-like administration of bankruptcy estates. May their efforts be attended by a full measure of success.

The Accountant's Peak-Load

NOW that conventions, national and international, are comfortably by, and the all-day meetings are in the process of getting by, the practising accountant can settle himself for a few weeks of fairly comfortable work before the flood of calendar-year audits and tax work engulfs him. That is, he can settle himself comfortably unless a bankruptcy, embezzlement, or other emergency engagement intervenes.

The accountant may some time be wise enough to use his influence effectively for the purpose of ironing out the accounting peak. This he could do by advocating continuous audit procedure and by recommending the substitution of logical fiscal years in place of the calendar year.

But as it is, the peak lies around the turn of the year, as formidable as ever, and the accountant must overcome it and save his health and temper as best he can.

C.P.A.'s in Shelby

THE recent prize fight recalls the fame of Shelby, the ambitious little city of northern Montana which went bankrupt in order to have its day of prize-fight glory on the front pages of the newspapers of the country. But Shelby has come back, and is finding its oil field much more productive and satisfactory than its prize fight. And along its gumbo streets you can now hear stories such as the one about the two fellows who walked in a year or two ago, and who cleaned up to the tune of \$3,000,000. This fall the gumbo is to give way to paving, which will bring its streets in keeping with its municipal building, and the fine camping facilities which this thriving city extends gratis to its automobile guests. The chief



JOHN T. KENNEDY, LL. B.

Educator, attorney-at-law, accountant, tax authority, government official—this, in brief, describes John T. Kennedy, of Washington, D. C., born in Philadelphia, and well known to hundreds of business men, public accountants, and members of the bar in scores of cities, by reason of his many activities.

A graduate of George Washington University Law School, with a degree of LL.B., and of Pace Institute, a member of the bar of the District of Columbia and of Pennsylvania, Mr. Kennedy began early to apply his abilities, first as an auditor in the Marine Corps, then as associate counsel in corporate receiverships, and later as head of the Technical Department of Pace Institute. In 1918 Mr. Kennedy was named head of the Training Division of the Federal Income Tax Unit, and was the first editor of the Federal Tax Bulletin Service. He was a member, also, of the first Committee on Appeals and Review of the Treasury Department. He is now in independent law practice in Washington, as tax counsel for attorneys and public accountants. He is also president of Benjamin Franklin University of Washington, successor in Accountancy instruction to Washington Pace Institute.

Mr. Kennedy has been a productive writer of authoritative texts on banking, including the federal reserve act, on sales, and on federal taxation.

of police (we met him socially, not officially)—a chief who is a worthy son of a Missouri sheriff killed in the performance of duty—tells us all this and more.

And right on the main street—prominently displayed, be it noted—is the sign "Certified Public Accountant," which assures to the community that all knotty questions with regard to depletion may be handled with skill and celerity, and that no business man need forego the pleasure and safety of authenticated statements with regard to his comfortable profits.

Continuing Education

KEEPING abreast of current developments is a current educational problem with every professional man, be he lawyer, doctor, or accountant. The lawyer must be familiar with the most recent legislation and court decisions; the doctor must keep informed with respect to the latest discoveries in technique and remedies; and the accountant must be familiar with the latest developments in tax and bankruptcy practice and with current legislation and court decisions bearing on business matters.

Here is a phase of professional education which has received scant consideration—the acquisition of technical knowledge as the practitioner moves along in his calling. The alert professional man acquires this knowledge by taking an active part in professional societies, by attending conventions and other technical gatherings, by the careful reading of technical magazines and books, and by keeping himself ever receptive to new ideas.

Accountancy is undergoing such rapid development and extension that the accountant particularly needs to give thought to this matter of continuing education. He can ill afford to neglect attendance upon professional society meetings, and to overlook the careful reading of accountancy magazines and other accountancy publications as they come from the press.

Education for the Profession of Accountancy

Review of papers delivered at International Congress of Accountants on English, Dutch, and American systems for training accountants contrasted

THE contribution which the accountant makes to social welfare to-day ranks as high as that of the attorney or the engineer."

Thus succinctly did Dr. John T. Madden, dean of the School of Commerce, Accounts and Finance of New York University, strike the keynote of the discussion of "Education for the Profession of Accountancy" in his paper before the International Accountants' Congress at Amsterdam in July—a keynote that is found also in the papers on the same subject presented by E. E. Spicer, F.C.A., London, England; and by W. H. Elles, of Amsterdam, member of The Netherlands Institute of Accountants.

Status Discussed

Interesting and valuable expositions of the status of accountancy and of the prospects of the profession in the three countries from which these commentators come, are afforded by their papers. Taken as a whole, they form a valuable study of the profession as seen by nationals of the three countries which many will agree have had the greatest influence in the development of accountancy as a profession. Hollanders have long been noted for their exactitude in matters of accounts. To be in error in one's reckonings in that country has long been regarded a serious breach of the conventions, if not of the law. England is looked upon in this country as the mother of the accountancy profession here; and throughout the civilized world the United States is credited with having put into effect many innovations and improvements which enable accountants to keep abreast of modern business

IN the past decade, particularly in the United States, great strides have been made in preparing men for the practice of Accountancy. The review here given of the three papers on this interesting subject, read before the International Accountants' Congress in Holland, will make clear for our readers the methods of preparation in the three countries, and the progress made in recent years.

—THE EDITOR.

and industry. So the views of the representatives of these countries as to the proper methods of educating future public accountants carry great weight and make a worth-while contribution to the literature of the profession.

All three of the papers have been printed in English, and will soon be available to students and practitioners in this country.

Striking Differences

One is impressed, first of all, by the striking differences, disclosed by an examination of the three papers, in the methods followed in the education of those who are to carry on the profession of accountancy in the years to come and in the openings available to the accountancy student.

In England, in order to become a chartered public accountant, a young man must bind himself as an articled clerk for from three to five years with a

practicing chartered accountant, during which he studies the theory of accounting while he is performing practical work for his master.

In Holland, it is disclosed, The Netherlands Institute of Accountants, composed of practicing accountants of that country, prescribes a course of study and actually conducts the classes. There are about eight hundred students, some of whom are employed in accountants' offices, and others in various capacities in industry and commerce.

In the United States, it is pointed out by Dr. Madden, schools of accountancy have grown rapidly in size and importance in late years, and provide an excellent means of acquiring an education in accountancy, in conjunction with practice in accountants' offices, which is required in most of the states as a prerequisite to obtaining recognition as a certified public accountant.

Wide Latitude

In the United States more latitude is given the student of accountancy in his choice of means of acquiring an accountancy education and of securing a certified public accountant designation from his state than in either of the other countries under observation. He may attend one of the many large schools of accountancy that have come into existence during the past quarter of a century; he may accept employment in the office of a practicing accountant, and study while performing practical tasks; or he may educate himself by reading and study and even by the actual practice of public accounting, which is not barred by law. No matter what course he may follow in acquiring his techni-

cal training, the accountancy student, to obtain recognition by his state as a certified public accountant, will, in most cases, be required to have a certain term of experience with a practising accountant, besides passing the prescribed examinations. Thus, the United States, it is disclosed, has in effect a system of education and qualification for the profession which is different from that of either of the other countries—a system which is freer from restraints and restrictions, and which offers to the aspiring accountant every opportunity to employ his talents and ability.

Students of Efficiency

Uniformity of standards of efficiency, it is shown by the comments of these three practitioners, is found only in The Netherlands; and lack of uniformity complicates matters in England and in the United States, so far as laying down hard and fast rules for educating future public accountants is concerned, and in determining the best curriculum. However, it may be noted that there is little divergence of opinion on the part of these three speakers as to the fundamental requirements of education needed by a public accountant.

Various societies in England have varying standards of efficiency applicable to their members; in the United States, with each state propounding examinations to candidates for recognition as certified public accountants and with varying requirements in the different states, uniformity of standards seems to be far off. Mr. Elles' paper seems to indicate that The Netherlands has attained the highest degree of uniformity in education for accountancy practice.

Mr. Spicer has many criticisms to make of the English system of educating accountants. He points out that no control is exercised there over the nature of the practical training that is given the articled clerk, a defect that would seem to be most serious. "The whole of the special training of an accountant takes place after the articles have commenced," says Mr. Spicer. "This special training consists of practical work in the office of a practising accountant, together with concurrent theoretical training."

There is a provision of the Institute of Chartered Accountants that any practising chartered accountant may have two articled clerks. Mr. Spicer refers to the whole present system of

articles as archaic, and suggests, among other changes, that the articled clerk be paid a salary, especially if the standard of admission to the ranks of articled clerks is raised by requiring certain additional preliminary technical training, which Mr. Spicer advocates, and which would make the articled clerk of more value to his master. Mr. Spicer believes, too, that no man should be given a certificate of chartered accountant and allowed to practice on his own account before he is twenty-five years of age.

Mr. Spicer tells what becomes of the articled young aspirant for chartered accountant. He says: "The main business of every practicing accountant is auditing, and it is usual to employ the newly bound articled clerk upon elementary detail work in connection with audits. It is submitted, however, that where the articled clerk has had no preliminary theoretical training, the practice is unsound. . . . Among the reasons advanced by Mr. Spicer as to why this practice is unsound, are that nobody should be employed to check the work of other persons unless and until he himself is capable of performing that work; in the early stages of his training the articled clerk often spends much time in performing work the true significance and importance of which he does not understand; experience has proved in the case of other professions, notably the medical profession, that theory must precede practice if the best results are to be obtained."

Scholarships

Another constructive suggestion by Mr. Spicer is that scholarships be founded to assist youths of outstanding ability to qualify for the profession. He expresses the hope that an international prize of eminence equal to that of the Nobel Peace Prize will be offered for works on accountancy subjects. He believes that the profession is lacking in first-class text-books.

Mr. Elles has no serious criticism to make, either directly or by implication, of the system or of the curriculum followed in his country; and, indeed, close reading of the details of the method of educating future public accountants in The Netherlands, and of the thoroughness with which a wide field of subjects is covered, leads one to believe that a satisfactory condition exists there.

Promoting the education of coming

public accountants is one of the chief objects of The Netherlands Institute of Accountants, and no half-way measures were adopted, either by this organization or, so far as is known, by the other two bodies to which brief reference is made by Mr. Elles. Uniformity of education was deemed by the Institute a necessary element, so courses were organized under the leadership of qualified persons, and students were enrolled.

Students are admitted by the Netherlands Institute only on the proposal of three members of the Institute; they must have obtained diplomas in book-keeping. There were about 800 students of the Institute at the end of last year; they were partly assistants who were employed in accountants' offices, and partly assistants who had found positions in commerce and industry and other branches of business life. The Board of Examiners is composed of thirteen men, all of whom are acting as public accountants or have been acting as such.

Weaknesses of American System Explained

Special interest attaches, from the American point of view, to the criticisms of present conditions in this country made by Dr. Madden, and to the constructive suggestions that he offers.

He describes as a great weakness in the United States at present, the lack of proper liaison between the state examining boards and the schools, on the one hand; and between the practitioners or their professional societies and the schools, on the other. This clear-cut statement directs the attention of the profession in the United States to conditions that could easily be remedied.

Dr. Madden expresses the opinion that a weak point in the armor, so far as the American system of professional training is concerned, is in the matter of practical field experience for the beginner in the profession. He speaks of the seasonal nature of temporary employment given to student accountants, and points out that this works to the detriment of the beginner and also to the detriment of the service which the public receives from the accountant. "I regret to say that very little has been done by our practitioners to remedy this defect," he adds.

Dr. Madden expresses the belief that a secondary school education

should be the minimum requirement for employment by practicing accountants of student accountants. He takes no stand on the question as to whether those who are to become members of the profession should possess educational qualifications beyond the secondary school, and asks the question, "Of what shall the proposed training beyond the secondary school consist, if there is to be insistence on a broader education preliminary to the study of accountancy?"

Striking unanimity of opinion is disclosed on the part of the three commentators with relation to the elements that, in their opinion, go to make a complete accountancy education.

All three agree that among other objectives sought by accountancy education—and these are regarded as major objectives—are the ability to make a "logical arrangement of ideas" and clarity of expression. They point out that these very desirable attributes can be developed in conjunction with the study of subjects with which accountants must be thoroughly familiar.

All three agree that the broader and more extensive the preliminary education of the accountancy student, the better it will be for him and for the profession.

Bookkeeping

Messrs. Spicer and Elles make the point that no student should be allowed to undertake the study of accountancy until he has first been thoroughly grounded in bookkeeping. Such a preliminary training is not now required in England; it is demanded of any candidate for admission to the Holland Institute's course of study. Dr. Madden says, "After all, the science of accounts rests on two very simple principles—the relation of debit and credit, and the distinction between capital and revenue. We are concerned with only two books—the ledger and the journal." Study of bookkeeping, Dr. Madden points out, comes either as the first step in an accountancy course, or as a preliminary in a commercial course.

Mr. Elles says: "Bookkeeping is a technicality which occupies a peculiar place in education. Generally, the accountant will not have to practice this technicality in his profession, but at the same time he should possess the greatest possible theoretical and practical knowledge of it; through this



JUAN R. OSSANDON
of Antofagasta, Chile

"TO me, the preparation of a statement or the solution of a complicated corporation problem was a real pleasure," said Juan R. Ossandon, who was graduated recently from Pace Institute. Such a statement, no doubt, explains in a large measure why Mr. Ossandon so successfully completed his studies at the Institute.

Only six years ago, Mr. Ossandon was enabled to come to New York to "acquire a thorough knowledge of American business methods" through funds made available by the city government of Antofagasta, Chile. During his stay in this country he has spent his entire time in learning American business and accountancy methods.

Referring to his work at Pace Institute, Mr. Ossandon said, "I certainly enjoyed every part of the course. From the beginning of Semester A to the completion of Semester F, I could see the excellent system of teaching used by the Institute. The high standards that are maintained enable the student to get the most out of the course. I have but words of praise for the Institute organization."

Mr. Ossandon will return to his native city in the near future, either to take up the public practice of accountancy or to apply in some other way the knowledge he has gained in this country.

knowledge, which for him is not an end, but a means to be able to execute his practice as accountant properly, he must possess a sound knowledge of the technical problems of bookkeeping which he may meet in the course of his work Whoever wants to study then for accountancy, has to obtain beforehand a diploma for bookkeeping."

The three commentators are agreed that practical work in accountancy must accompany the theoretical studies. "The education of the professional accountant," Mr. Spicer says, "must be based on knowledge acquired by theoretical means augmented by empirical training. Neither means is sufficient by itself, and it is only the combination of the two that is effective in producing the really expert accountant."

Development of the Profession

Dr. Madden tells interestingly how the practical application of activity resolves itself into a science, as an illustration of the necessity for a combined theoretical and practical training. He says:

"Our profession has passed through a process of development not unlike that of other professions. The art of healing was formerly practiced as an applied art with very little or no background of scientific training. Surgery, such as existed, was within the province of the barber. All applied activity, with the advance of time, resolves itself into a science. The notary became a lawyer; the healer became a doctor; out of the researches of the alchemist grew the science of chemistry. Certain laws were discovered in the applied art of healing which were formulated and organized into a scientific body of information. Then it was discovered that these laws could be taught in the school and our great medical schools were established. The science of law, likewise was studied in the office of the practitioner and later in due course our great schools of law grew up. Thus we see that the historical development of applied art in any field follows a typical process. Science and the school are inextricably interwoven. There were no schools of accounting at first. The beginner apprenticed himself to a practitioner and served his time under the master. The young man who entered business or trade likewise expected to be taught in the school of experience. Experience keeps a good school, but it is often a costly school

(Continued on page 19)

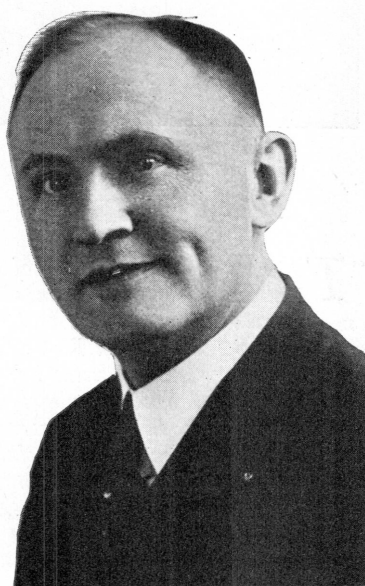
The New York State Society of Certified Public Accountants

Brief historical sketch of the first state organization of C. P. A's ~ Objects of the Society ~ Charter members ~ Present development and scope of Society's activities ~ ~ ~

THIRTY years ago at this time a small group of men in the City of New York were making plans and laying the foundation for an organization which today is looked upon as a leader in the profession of accountancy. That organization—the New York State Society of Certified Public Accountants—was destined to have a far-reaching influence on the business, professional, and financial life, not only of the city and state of New York, but of the entire country—an influence for advancement and progress far beyond the highest hopes of the handful of men who formed it.

By no stretch of the imagination could those men, newly made certified public accountants under the first law to be enacted by any state in the union giving recognition to the profession of accountancy, have pictured to themselves the powerful, flourishing, purposeful, and well-managed organization that today is known as The New York State Society of Certified Public Accountants.

Had these few men, with high ideals and a desire to better conditions under which the profession of accountancy was practiced in this country, been gifted with second sight; had they been crystal gazers and possessed of extraordinary powers to penetrate the future, they could have hardly visualized the remarkable strides to be made by the organization, in keeping with the growth of the profession; they could have hardly conceived the influential position that their little society, struggling along with small numbers and meagre resources, would occupy a generation later. That these pioneers built well, that their vision was keen, that their belief that the profession of accountancy was destined to go far and to gain a high place in public esteem was well founded, is evi-



MARTIN KORTJOHN, C.P.A.
Secretary, New York State Society of Certified Public Accountants

denced by the record of this society.

Many of the men who helped to found the New York State Society are still active in the accountancy field; several of them have passed on; to all of them American accountants acknowledge a debt of gratitude for what they accomplished for all accountants.

It was but natural that New York should be the first state to organize a state society of certified accountants, as it was the first state to enact, in 1896, a certified public accountant law, which created that class of accountants and gave them legal recognition. Two years later Pennsylvania enacted a similar law; today, laws of that nature are on the books of all the states.

Because it was the first society, and

because of the magnitude of financial and business operations centering in the Empire State, with the resultant concentration of accountants in the City of New York, the New York State organization took the lead in organizing the legally recognized members of the profession, in shaping policies, and in setting up standards of professional conduct and of preparation for the profession. This leadership has been at all times in capable hands; the Society has always acquitted itself with credit, and points to a record of which its members are proud.

Development

The surviving members of that small original group of men today look about the spacious, well-equipped and well-furnished quarters of the Society on the eighteenth floor of the building at 110 William street; they turn page after page of the Society's list of members, numbering now 882; they inspect the well-equipped and rapidly growing library of the Society; they read the clear and illuminating technical papers, addresses, and discussions of present day economic and financial problems distributed by the Society; they listen to the reports of what the Society is accomplishing in the way of service to the business public, and congratulate themselves on being the pioneers of this movement.

It is not to be wondered at that these men, by many regarded as the ones responsible for the real beginnings of American professional accountancy, have been accorded places in the Accounting Hall of Fame.

It will be thirty years next March, on the thirtieth day of the month, that the first meeting of the New York State Society was held, in the Waldorf Hotel. That the profession in New York will



*View of Board Room at headquarters, where Directors and committees meet.
This room is available to members for conferences.*

adequately observe that day, is a foregone conclusion.

The New York State Society was not, however, the first organization of accountants to be formed in this country. Thirty-nine years ago this fall a national organization of accountants was formed by men practicing accountancy in the larger centers, including Chicago, Boston, and Philadelphia, as well as New York. That organization was compelled to set its own standards for admission, as no legal recognition had then been given the profession of accountancy.

C. P. A. Legislation

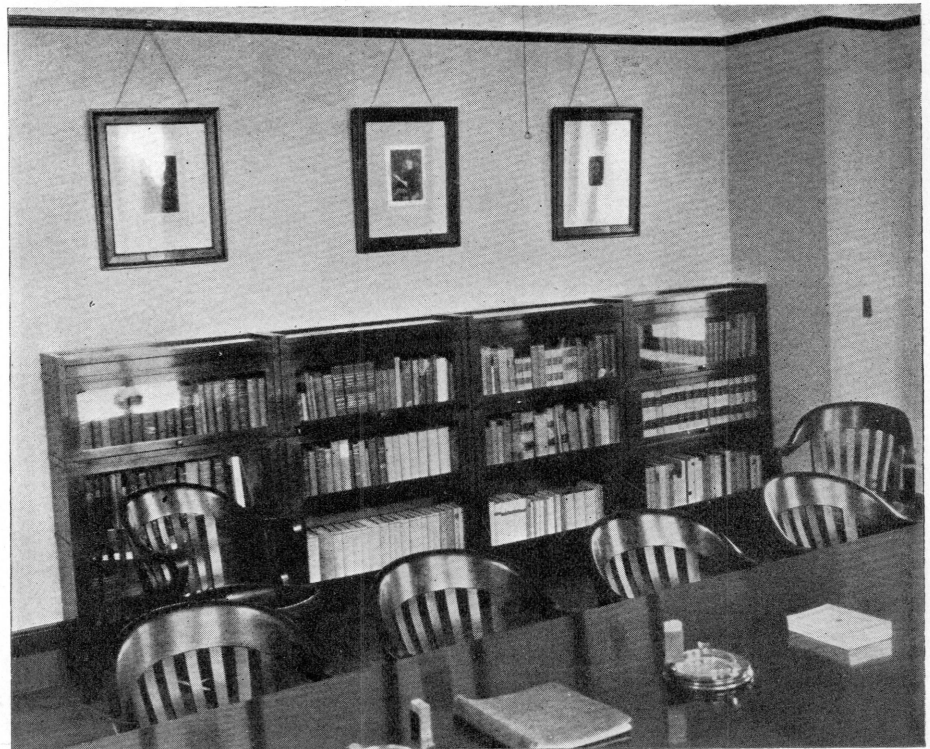
It was due to the activity of accountants in the City of New York that the Legislature in 1896 was induced to enact a measure creating the certified public accountant. Desire for protection in their calling, for its advancement, and for the setting up of proper standards by the state government for the practice of this profession, actuated the accountants of the state of New York in requesting such a law. As soon as the law was enacted, and a number of eligible accountants had qualified under it as certified public accountants, the demand came for an organization of these certified men.

The New York State Society was the result.

The minutes of the Society do not show what conversations, discussions and planning took place in the late fall of 1896 and the early part of 1897. They do show, however, that at the first meeting of the Society on March 30, 1897, at the Waldorf Hotel, articles of incorporation were presented and were signed by those present who had not already attached their signatures to the articles. It is evident, then, that some time prior to that meeting certified public accountants had discussed plans for the organization, and had prepared the articles of incorporation, which were dated January 25, 1897.

The five original signers of the articles of incorporation, names which will long be remembered in accountancy, were John Hourigan, S. Eugene Sargent, Francis Gottsberger, Farquhar J. McRae, and Henry Harney.

John Hourigan was chosen temporary chairman, and Francis Gottsberger secretary, when the first meeting of the Society convened. The others present at the meeting signed the articles of incorporation, and thus became charter members, together with the five named above. These signatures, too, include names which rank high to-day in accountancy. They were C. Waldo Haskins, A. S. Patterson, Elijah Watt Sells, J. R. Loomis, Arthur W. Teele,



Another view of Board Room, showing library of Society, containing many valuable works and literary records.

Rodney S. Dennis, H. S. Corwin, Charles Both, J. N. Kelly, Edward L. Suffern, and William G. Shaible. At a subsequent meeting, by special motion, two more accountants were permitted



W. ALCORN BROWN
Assistant Secretary of the Society

one term, beginning in 1921; Robert H. Montgomery two terms, beginning in 1922; Homer S. Pace two terms, beginning in 1924; and the present incumbent is Dr. Joseph J. Klein, who is serving his first year.

Of the former presidents, six have passed away. These are Charles Waldo Haskins, Franklin Allen, John R. Loomis, Edward L. Suffern, Hamilton S. Corwin, and John R. Sparrow.

The New York State Society has taken steps to have its records put into such shape, in the form of a historical account, that they may readily be consulted and be an inspiration for coming generations of accountants. At a recent meeting the president was empowered to appoint a historian, and undoubtedly the work of compiling an account of the activities of the organization since its formation will be undertaken soon.

Space does not permit even a review here of the many activities of the Society. Some idea of the scope of the present day activities and program of the organization may be gained, however, by a glance at recent annual reports.

Robert H. Montgomery, for instance, when he completed his second term as president in May, 1924, said in his annual report: "The activities of the

Society during the year just ended have been directed toward strengthening the position of the public practice of accountancy as a profession in the State and toward increasing the Society's capacity for service to the public, to the profession at large, and to our own members."

It was during President Montgomery's last term that a program for professional and technical research was adopted, this research to be conducted through forty or more special committees. These committees have functioned well during the past two years, and have produced literature and discussions of great value to the profession.

It was during President Montgomery's term, too, that a code of professional conduct was adopted, to which the practitioners of this state readily subscribed, and which has now been in effect for many months.

The code of ethics, and the advanced practices resulting from the technical studies made by the Society's members, have jointly been of great benefit to the public and to business men. They are cited merely as examples of the forward looking program of the society.

It was during the last year of Mr. Pace's presidency that the Society obtained separate quarters and furnished them, thus placing at the disposal of

to affix their signatures to the articles of incorporation, and thus become charter members. They were Thomas Bagot and T. P. Ryan. Of all these men, the following are living today: John Hourigan, S. Eugene Sargent, Farquhar J. MacRae, A. W. Teele, and William G. Shaible.

Mr. Haskins was elected president, Mr. Hourigan vice-president, Mr. Teele secretary, and Mr. Corwin treasurer, at that first meeting. Mr. Haskins was reelected president in May of that year, which was the time chosen for the annual meeting, and served five terms consecutively, and a part of a sixth term, being succeeded by Mr. MacRae early in 1903. Mr. MacRae served three full terms in addition to a portion of Mr. Haskins's last year. Franklin Allen served two terms, beginning in May, 1906; John R. Loomis served one term, beginning in 1908; Henry R. M. Cook three terms, beginning in 1909; William F. Weiss one term, beginning in 1912; Edward L. Suffern one term, beginning in 1913; Hamilton S. Corwin three terms, beginning in 1914; John R. Sparrow the greater part of three terms, beginning in 1917; J. S. M. Goodloe two terms, beginning in 1919; Howard B. Cook



Executive Office of the Society

its members unexcelled facilities for the transaction of Society affairs and the study of public problems.

Martin Kortjohn, the present secretary, assumed office after the annual meeting in May, 1925, succeeding James F. Farrell, who had served eleven terms, beginning in 1914. Assistant Secretary W. Alcorn Brown and his stenographers, typists, and clerks have a ever expanding routine with which to occupy themselves.

During the greater part of Mr. Farrell's incumbency the offices of the Society were in his professional offices. Samuel D. Patterson was Mr. Farrell's predecessor, serving six terms beginning in 1908. Leon Brummer had preceded him, serving nine terms beginning in 1899. Arthur W. Teele, the Society's first secretary, had served from the time of organization in 1897 until the election of Mr. Brummer in 1899.

During its thirty years of existence, then, the Society has been served by five men at various times, as secretaries. All of them devoted much time and effort to the Society's business, and it was largely through their efforts that the Society grew and prospered and carried out constructive programs devised by the other officers and committees.

Education

In the early days of the Society it was determined that a proper educational system, for the training and preparation of the coming generations of accountants, was a necessity. The Society cooperated in establishing the School of Commerce, Accounts and Finance in New York University, and through its Committee on Educational Standards for Accounting, the Society has made valuable studies of methods of educating and training men and women for the profession.

When the new federal revenue law of 1926 was under discussion by Congress, the Society, through a technical committee, made a careful study of the federal tax system and presented a carefully prepared series of recommendations to Congress and to the public. Many of the Society's recommendations were made a part of the new law; others still form the basis for additional proposed changes in the law and the regulations.

During its career the Society has cooperated closely with other organizations of public accountants, both state and national. It contributed \$10,000 to the library endowment

fund of the American Institute of Accountants in 1917, and since that time has established a library of its own, the principal contribution to which has been made by Robert H. Montgomery. The attitude of the Society toward other organizations, especially those national in scope, was made plain at the first meeting ever held, when a resolution was adopted to the effect that "it is the desire of this Society to cordially cooperate fraternally with all existing societies of American accountants and in all honorable methods for the benefit of the profession of accounting."

An unlimited field of activity presents itself to the Society, and the attitude of the members is such that it is likely that the organization will continue to enlarge its service to the public and to the profession.

No development of importance passes unnoticed by this Society, whether it be in the realm of finance, of business, of commerce, of economics, of court decisions affecting business practices, or of government. The alertness of the Society in laying before the public the facts relative to happenings affecting the welfare of the public is typical of the attitude of responsibility to the public that is in evidence throughout the activities of the organization. The Society is aided in this work by its newly created Committee on Public Relations.

Formation of a Chapter of the Society at Buffalo a little more than a year ago, is indicative of the constant growth of the organization. Other chapters are projected.

Dr. J. J. Klein, president, is proving a dynamo of energy, and with his inspiration and guidance the headquarters of the Society are becoming more and more the center of far-reaching activities of great benefit to the citizens, not only of the State of New York, but of other states as well.

EDGAR SWICK, of the Worthington Pump & Machinery Corp., says

DO not keep or compile a lot of records which are never looked at or are seldom referred to.

Study the various executives to whom reports go. Find out exactly what is wanted and in what form. Then give all the information possible from the records. Be careful, however, not to burden the executive with unnecessary detail.—*From the N. A. C. A. Bulletin.*

As to Profits from Endowment Securities

A RECENT inquiry with respect to the nature of gains derived from the sale of endowment securities was as follows:

"Do you care to give me your opinion upon the following? Certain endowment funds for an institution have been invested in securities.

"Some of these securities are sold at a profit and others purchased. The institution carried the profit to general income and the bankers object to our opinion that the profit on the securities results in an increase of endowment funds rather than an income for either the special fund or the general fund.

"This to us is a capital transaction, but if we are not right we will doubly appreciate being set right."

Reply to this interesting question follows:

"Possibly the best way of looking at the proposition is to consider what would happen in the event of a loss—would a loss from the sale of endowment securities be borne by the organization or would it be charged against the principal of the fund. We know of no instance in which it is advocated to have the loss borne by the organization. It is a poor rule that does not work both ways, and if it is admitted that the loss should be borne by the fund, then it is equally proper that the income should accrue to the fund.

"This question has been considered in several books, and the weight of opinion of those writers who have considered the subject, favors treating the items as capital transactions.

"The only work we have in our own library which deals with the subject is a book entitled *College and University Finance* by Trevor Arnett, published by the General Education Board, 61 Broadway, New York, N. Y. Mr. Arnett, on page 31 of the book, states: 'When the property is sold and the profit actually in hand, the endowment should be augmented by the amount of the profit.'

"Other references could, no doubt, be given you by the librarian of the American Institute of Accountants, 135 Cedar Street, New York, N. Y."

JOHN H. ALLEN, formerly of the administrative staff of Pace Institute is now connected with the Mine and Smelting Supply Co., of Denver, as credit manager.

Control of Stock in Branch Store

*Vital factor in control of operations Detailed
procedure with essential forms Causes of
shortages Discussion of selling-price basis*

PROBABLY the most important matter in the control of operations of a branch store is the control of stock—a matter that will be discussed in detail. This control has several aspects.

First, it is essential that the proper kind of merchandise be carried—merchandise that will find a sale in the community. Second, it is essential to carry adequate stocks to meet the reasonable demands that will be made; and, equally, to guard against the unnecessary use of capital in carrying excess stocks. Finally, it is necessary to determine that the merchandise sent to the store is being properly accounted for, either as reported sales or as unsold merchandise on hand.

The first two matters depend upon inspection and personal managerial supervision. It is not possible to determine the type of merchandise that will sell in a given community without making an investigation of living and other conditions in the community. It is not possible to determine that inadequate stock is being carried unless a check-up is made of calls for commodities that cannot be filled because the commodities are not in stock. And it is not possible to determine whether idle stocks are being carried without reference to physical inspection of stocks from time to time, the determination of rates of turnover, and the like. The matter of accountability for stock, however, is one that depends in many instances upon record-keeping.

Method Outlined

A method of stock control in common use, and applicable to ordinary circumstances, will therefore be outlined as follows:

Merchandise is sent to the store, either direct from the suppliers or from a central warehouse. A determination is made of the selling-price value of the

“HOW many cans of tomatoes have we in the Albany store?” will be easy to answer if a system of chain-store stock control like the one herewith described is installed.

The rapid growth of the chain-store system of retailing has raised many difficult questions for the accountant to answer. Not the least of these is the problem of adequate stock control. The following article, we hope, will clear up many cloudy points with respect to this knotty problem.

—THE EDITOR.

merchandise that is thus sent to the store. Better control is probably afforded if, as a matter of organization policy, the various branch stores are supplied from a central warehouse. Under such circumstances, an invoice would be made out by the central warehouse to charge the store for each delivery of merchandise. If merchandise is delivered direct to the store by the supplier, it is preferable, if it can be done without undue complication, that the supplier's invoice be rendered to the head office and that, in turn, an invoice be made out at the head office charging the store. The invoice to the store is priced at selling price, and the total amount of the invoice is posted as a charge to a stock-record sheet.

An appropriate record should be made in the store, by means of cash registers, sales clerks' tickets, and the like, of all sales made. The amount of sales should be reported periodically, preferably daily, to the main office. The total amount of the sales is posted as a credit to the record sheet that is maintained for the store stock.

It is obvious that the amount by which the charges for merchandise forwarded exceed the credits to the store for merchandise sold will represent the value of the merchandise on hand in terms of selling price. A physical inventory taken at the store, and priced at selling price, should reconcile with the balance as shown by the record mentioned. A shortage will indicate the necessity for managerial attention. Among causes leading to a shortage will be theft of merchandise by employees, theft of merchandise by customers, sales made at prices less than the established selling price, errors in computing the total of sales slips, and errors in packing goods by means of which a customer received more merchandise than he paid for.

Adjustments

Adjustments to selling prices are likely to be made from time to time. If a price reduction is permanent, an inventory should be taken, as at the close of business on the day preceding the day the reduction takes effect, of the quantity on hand of each item the selling price of which is to be reduced. This quantity multiplied by the difference between the old selling price and the new selling price will represent the reduction in the current selling-price value of such articles. The store should be credited with this reduction in value on the store stock-record sheet.

If the adjustment in selling price is a permanent increase, an inventory should be taken, as at the close of business on the day preceding the day the increase takes effect, of the quantity on hand of each item the selling price of which is to be increased. This quantity multiplied by the amount of the difference between the old selling price and the new selling price will represent the increase in the current selling-price value of such articles. The store

should be charged on the store stock-record sheet with this increase in value.

In the event that a reduction in selling price is to be made on account of a special sale, and is, therefore, temporary in its nature, the procedure outlined in the second preceding paragraph may be adopted. Upon completion of the sale, however, when normal selling prices are restored, a new inventory should be taken of material still on hand on which the price should be adjusted upward, and the procedure outlined in the next preceding paragraph should be followed.

| Invoice | | | No. |
|----------------------------------|-------------|---------------|----------------------|
| From Warehouse to Store No. | | | Effective 19.. |
| Quantity | Description | Selling Price | Total Value |
| | | | |

FORM 1—INVOICE

An alternate procedure, probably better in connection with special sales, is to take an inventory of merchandise subject to special selling prices, immediately before the sale and immediately upon completion of the sale. The difference between the two inventories will show the quantities sold. This quantity should be multiplied by the difference between the special selling price and the regular selling price. The store should be credited with the amount so found.

Merchandise will occasionally be returned by the store. A credit memorandum should be prepared and priced

at current selling price, and the store should receive credit therefor. The above procedures will involve the use of the following:

A form of invoice to be rendered to the store.

A form for informing the store of price changes.

An inventory sheet to be used by the store for reporting inventory of materials on hand, the selling price of which is the subject of permanent increase or decrease.

A sheet to be used by the store for reporting quantities of material sold at special sales.

A form of credit memorandum to be made out for returns by the store to the warehouse, or for transfers from one store to another.

A store stock-record sheet to be kept at the main office, in which to record the figures. The sheet should contain columns as follows:

Date:

Charges to store:

- For merchandise sent to store from warehouse (or direct from suppliers)
- For merchandise sent to store from other stores
- For increases in selling prices of merchandise on hand
- Total

Credits to store:

- For sales made
- For returns to warehouse (or to suppliers) and transfers to other stores
- Reductions in selling prices
- Total

Balance:

A suggested form of invoice is given in Form 1. The invoice is in ordinary form and requires no special comment.

A suggested form for informing a store of price changes is given in Form 2. The figures respecting money amounts

represent merely the unit prices for the merchandise listed in the description column. If the charge is for a special sale only, appropriate note of the duration of the sale may be made at the top of the form.

A form of inventory sheet to be used by the store for reporting inventories of material on hand, the prices on which are subject to permanent change, is shown in Form 3. The facts respecting quantities on hand are determined from physical inventory. The facts respecting selling-price increase, or selling-price decrease, are posted to the inventory sheet from the price change memorandum. The total quantity on hand, multiplied by the amount of the unit change in selling price, will give the total amount for which the store should be charged, or the total amount for which the store should be credited, as a result of the price change.

| Price Change Memorandum | | | | |
|-------------------------|---------------|-----|----------------|----------|
| No. | | | Store No. | |
| Effective 19.. | | | | |
| Description | Selling Price | | Price Change | |
| | Old | New | Decrease | Increase |
| | | | | |

FORM 2—PRICE CHANGE MEMORANDUM

A form of sheet to be used by the store for reporting quantities of merchandise sold at special sales is presented in Form 4. The information respecting quantities on hand before the sale and after the sale are determined from physical inspection. The quantity sold is determined by comparison of the quantity on hand after the sale with the quantity on hand before the sale. The information with respect to selling price is posted from the price-change memorandum. The total increase or decrease in selling price of the goods sold is obtained by multiplication of the quantities sold and the unit price decrease.

The form of credit memorandum for transfer of goods from one store to another is illustrated in Form 5. This form is practically self-explanatory and requires no comment.

A form of store stock-record sheet is illustrated in Form 6. On the first day of the month, the selling-price value of

| INVENTORY OF MATERIAL | | | | | | | |
|-----------------------------|------------------|---------------|-----|--------------|----------------------|--------------|----------|
| Subject to Price Change | | | | | | | |
| Store No. | | | | | Effective 19.. | | |
| Price change memo. No. | | | | | | | |
| Description | Quantity on Hand | Selling Price | | Price Change | | Total Change | |
| | | Old | New | Decrease | Increase | Decrease | Increase |
| | | | | | | | |

FORM 3—INVENTORY OF MATERIAL
Subject to price change

[illegible][illegible][illegible]

FORM 6—STORE STOCK RECORD

Uniform System of Accounts for Hotels

〔 Publication of the Hotel Association of New York 〕
〔 City reviewed by MARTIN KORTJOHN, C.P.A. 〕

THE Hotel Association of New York City has published a manual on a "Uniform System of Accounts for Hotels." Credit for the publication of the manual is due all of the members of the Hotel Association. E. M. Statler served as chairman of the proprietors' committee and W. J. Forster, C.P.A., served as chairman of the accountants' committee.

The following comments by Martin Kortjohn, C.P.A., who has reviewed the manual, will be of interest:

Uniform accounting, cost or general, is a great aid toward establishing cordial relations between concerns in the same line of business; and one industry after another has appointed committees, composed of persons more or less able, to design such systems. No one is perhaps so well qualified to frame a good system as the professional accountant who has observed the workings of many systems in the same or other lines, and the Hotel Association of New York City is to be complimented in placing on its accountants' committee such well-known general practitioners as Mr. W. J. Forster and his C.P.A. associates, Messrs. Chester P. Child, William D. Cranstoun, and F. W. Squires, all members of the New York State Society of Certified Public Accountants and other professional bodies. While other uniform systems may be highly practical, and others absolutely correct from a technical viewpoint, the manual for hotels combines correct theory with absolute practicability. The efforts of the professional accountant are also particularly noticeable in the manual by the fact that proper accounting terminology has been closely adhered to. The manual is therefore a wholesome improvement upon many other works of a like nature.

With all this in mind, the manual is a good deal like mother's cake; there is not enough of it. It is hoped that the manual is intended as a modest begin-

ning and not the last word in hotel accounting. It is certainly a big step towards uniformity and the elimination of ruinous competition, and it forms a valuable addition to technical accounting literature, though its fixed price, five dollars, for 91 pages, removes it somewhat beyond the reach of the average student. It undoubtedly explains in a certain way hotel accounting as it exists in New York City better than any other printed authority. It is no surprise to us when the preface says that "over twenty important hotels have already adopted the system and scores of others throughout the country have asked for the manual before it could be printed." It states in a concise way, and in great detail, the statements and accounts of a hotel be it ever so large or small. In addition, statistical statements are liberally added, so that the executive may have before him all that is worth while knowing.

We notice with considerable regret from the preface that "without doubt the revisions will be confined chiefly to simplifying and clarifying." In our opinion, lack of simplicity and clarity is not one of the manual's defects; we believe it is exceptionally simple and clear, and we should have been surprised if, with the talent available, this were not so. But it is incomplete—sadly incomplete. It may be that the scope of the committee was limited; it is possible that the manual was designed merely for use in the larger hotels which employ highly competent accounting staffs and professional auditors; perhaps the committee was unduly influenced by the products of other similar committees; and possibly the manual is not intended as a general handbook for hotel accountants and managers; but with comparatively little additional labor, to be performed on future editions, the gathering of accounting information, the internal check on income and expenses, and the items on

the balance sheet peculiar to the hotel industry, might be covered with immense profit to the industry in general. These items are of such vital importance to a hotel that they should if possible be placed in a work of this kind. We are painfully aware that other uniform systems do not contain such matter; but that, in itself, is not a good and sufficient reason for its omission from a work prepared by such experts as compiled this manual. We hope that future editions will cover at least a part of these subjects. An additional hundred pages on records, internal check and procedures, and on the items on the balance sheet peculiar to a hotel, would certainly make the manual much more valuable.

In the present form, only four pages are devoted to an exposition of the balance sheet, and such large costs as rent and depreciation are considered as a mere general expense to be applied to the entire gross income after deducting direct operating costs. This makes it impossible to place the responsibility for loss, or the credit for gain, where it properly belongs. Very often in a hotel a department is considered a source of income, whereas if a proper rental charge was applied it could be shown that the department is nothing but a convenience to the guests, necessary as it may be. While the line of least resistance always counsels against costing methods, the desire to place executive responsibility should control. It is difficult but not impossible to place proper rental charges and depreciation against departments of a hotel, and we predict that future editions of the manual will so recommend it. We are sure that the committee is too thorough in its methods to abandon such an attempt, which would be worth while even if, it confined the allocation to a good estimate.

Practicing accountants can learn much from the manual in the way comparative information is combined on hotel statements with accounting facts. Percentages and figures for the previous year are ingeniously added to the statements for the current year, and are closely studied by the executive of a hotel; guesswork has practically no place in hotel management; a decline in business or a rise in expenses, has the immediate attention of the proper persons, and the manual shows how the information should be presented. All in all, the manual deserves high commendation and should be in the library of every accountant who does extensive hotel accounting work.

Organization of Referees in Bankruptcy

National Association of Referees in Bankruptcy name of organization formed recently in Detroit PAUL H. KING *first president* *Comments by prominent men*

FOLLOWING closely on the heels of action by Congress in amending and strengthening the National Bankruptcy Act, comes the formation by the referees in bankruptcy of a national organization, through which it is hoped to secure uniformity of procedure in the various federal jurisdictions and to effect large savings to business men and at the same time to throw additional safeguards, which are calculated to prevent fraudulent use of the law, around the bankruptcy system.

The National Association of Referees in Bankruptcy is the title given the new organization, which came into being as the result of a two-day convention of referees in bankruptcy, held in Detroit on July 10 and 11. More than one hundred referees in bankruptcy, representing all sections of the country, were present; and it is believed that the action taken is a distinct step forward and an economic move of great importance.

Objects

The announced objects of the new association are:

To promote better acquaintance and coöperation among referees in bankruptcy of the United States courts.

To secure a greater degree of uniformity in the administration of estates in bankruptcy.

To encourage expedition in the liquidation of estates and economy in the administration thereof.

Generally to improve the practice in bankruptcy cases.

It was announced that active membership is restricted to referees, but that any person "rendering or having rendered public service in connection with bankruptcy work is eligible for honorary membership."

Accountants should be particularly

interested in the provision for honorary membership, in view of the fact that many of them are called upon to perform valuable services in the liquidation of estates, as receivers and trustees, or as employees of receivers or trustees. This should, under the terms prescribed, make them eligible for honorary membership in the association, which would serve to keep them in close contact with the work that is being done and planned by the referees in bankruptcy.

Business men will be interested in the objects set forth by the new association. "Generally to improve the practice in bankruptcy cases" would alone be a worth-while undertaking in the eyes of creditors who have lost large sums through loose practices under the bankruptcy law.

Encouragement of expedition in the liquidation of estates, another of the objects announced by the new association, will also appeal to business men. Dilatory methods, which mean not only months, but years, in collecting the assets of an estate and in distributing them to creditors, mean losses that are considerable, in addition to losses incurred through the failure itself.

Uniformity in the administration of estates in bankruptcy means much to the legal profession, and consequently to the business men who have claims against bankrupt estates.

Detroit Conference

Some interesting sidelights on bankruptcy practice came to light during the Detroit conference. Oscar W. Ehrhorn, of New York, pointed out that attorney's fees are quite often out of proportion to the size of the estates involved, and that great care should be taken to prevent excessive charges.

A stand against giving priority to claims of workmen and landlords was taken by John Keogh, of Bridgeport, Conn. "The creditors are the real

owners of the assets of a bankrupt estate," he declared. "The pendulum has swung from where the law was a hardship on the debtor to where it is a hardship on the creditor. The sooner it swings back, the better it will be for all of us."

Sectional Differences

An interesting analysis of public sentiment relative to bankruptcy legislation was made by Simon Fleischmann, of Buffalo, N. Y., who said that in the hearings before Congress and its committees, when the amendments to the National Bankruptcy Act were up for discussion, it developed that west of the Mississippi River the people strongly favor the debtor class, while east of the Mississippi the sentiment is in favor of the creditor. This splits Congress, Mr. Fleischmann said, to the extent that there is even an undercurrent in favor of repealing the bankruptcy law.

Harold Remington, of New York, author of several books on bankruptcy, made the point that bankruptcy courts are school-rooms for the teaching of commercial morals. He said that many of the persons who appear in bankruptcy court have had no training in business morals and in most instances are devoid of the cardinal principle of business life—telling the truth.

"What the referee permits them to do is their standard of right conduct," said Mr. Remington. "What he winks at is all right. What he does not let them do is wrong."

Robert A. B. Cook, of Boston, chairman of the Bankruptcy Committee of the Commercial Law League of America, said there is existent a disregard of the spirit of the bankruptcy law, principally by creditors, generally by debtors, and only too frequently by the courts.

"Creditors are too prone to give

their cases to whoever may solicit them," he said, "and then they look to the courts for protection of the rights they themselves have neglected."

Closer contact with business men as a means of broadening the scope of vision of referees and of materially checking the soliciting and trading of claims, was urged by Elmer N. Powell, of Kansas City.

"Unless creditors awaken to the cooperative duty they owe, we can hope for no cure for real or imaginary bankruptcy evils that exist in the public mind or any lasting remedy for alleged abuses in administration," said Mr. Powell; "but we must make it possible for creditors to cooperate more fully."

"Practical education along these lines is an indispensable mission of the referee that will bring about a spirit of helpful cooperation and unite sound business with the referees in their lofty purpose of checking frauds, restoring assets fraudulently concealed and transferred, and in creating an altogether clean atmosphere about the bankruptcy courts."

Fee System Obsolete

Mr. Powell is an advocate of the salary system of payment of referees, instead of the present fee system. He characterized the present system as obsolete and contrary to good, sound business practices.

"With creditors paying tremendous sums every year for administration expenses," he said, "they have a right to know that every effort is being made along every branch of administration work looking toward the most economical methods practicable and consistent with efficient, successful service."

The meeting of referees at Detroit was described as the first national meeting of these officers of the federal court. Referee Paul H. King, of Detroit, who was largely instrumental in bringing the referees together, made the bald statement that incompetence in business is the outstanding cause of the majority of bankruptcies.

Punishment of dishonest debtors, even at the sacrifice of dividends, was urged by E. Paul Phillips, of the National Association of Credit Men, if the fight against commercial fraud is to be successful. He expressed the hope that referees would soon see a substantial improvement in the attitude of business men and their credit managers, in cases that come before the court.



PAUL H. KING

A REFEREE in bankruptcy, needless to say, should be a lawyer—should have comprehensive legal training and experience. But in addition to these primary qualifications there are many other necessary things. Dealing as he does with lame and broken-down businesses of every description, he has need for a vast economic knowledge with respect to commercial, industrial, public utility, and business organizations.

Paul H. King, LL.B., of Detroit, Michigan, is, perhaps, one of the best known referees in bankruptcy in America. In 1919 he was elected one of the two referees in Bankruptcy for the Eastern District of Michigan, and is still serving in that capacity. He is therefore extremely well qualified to hold his present office as president of the recently formed National Association of Referees in Bankruptcy. He has had long and varied experience in the fields of business, politics, and the practice of law, and has held numerous offices in public and quasi-public organizations. We are especially fortunate in presenting to our readers an excellent likeness of Mr. King.

Mr. King was instrumental in the calling and holding of the national conference of referees in Detroit on last July 9 and 10, at which the permanent organization known as the National Association of Referees in Bankruptcy was formed, and his election to the presidency of this association came about as a matter of course.

The practice of permitting attorneys for creditors to act later in the same proceedings for receivers and trustees was generally condemned by the referees present. This condemnation was expressed in the discussion following an address on "Bankruptcy Ethics," by Benton Baker, of Bismarck, N. D.

Many of the practices condemned by the referees have been outlawed by the amendments to the National Bankruptcy Act. For instance, solicitation of claims by receivers or attorneys for receivers is now prohibited, and this should result in a checking of an indiscriminate and wholesale assignment of claims in bankruptcy cases.

It is believed that, as a result of the formation of this organization by the referees in bankruptcy, a wider knowledge of the provisions of the bankruptcy law will be imparted to business men, and that a distinct improvement in bankruptcy practice will result, with large savings to all concerned.

The First Officers

Paul H. King, of Detroit, was chosen as the association's first president; Watson B. Adair, of Pittsburgh, was elected vice-president; and Frank J. Comfort, of Des Moines, Ia., secretary-treasurer. Directors were chosen to represent wide-spread districts, as follows:

Dan W. Lincoln, Worcester, Mass.; James W. Persons, Buffalo, N. Y.; John T. Olmstead, Harrisburg, Pa.; Russ J. Nesbitt, Wheeling, W. Va.; E. M. Baker, Dallas, Tex.; Charles T. Greve, Cincinnati; Charles A. Burnett, Lafayette, Ind.; Elmer N. Powell, Kansas City, Mo.; Stephen N. Blewitt, Stockton, Cal.

M. L. GANLY was successful in passing the May, 1926, New York State C. P. A. examinations. Mr. Ganly is a graduate of Pace Institute and a member of its accounting faculty. Mr. Ganly is a member of the staff of Wythes & Wilson, 50 Church St., New York.

A. A. LALLY, a graduate of Pace Institute, New York, successfully passed the May, 1926, New York State C.P.A. examinations.

CHARLES KOLLIN, who graduated from Pace Institute in 1923, successfully passed the May, New York State C.P.A. examinations.

Management Week, October 25th—30th

*Accountants support movement for first time
Purpose and scope of organization Sponsored
by Division of Simplified Practice, United
States Department of Commerce*

PUBLIC accountants make their bow as supporters of Management Week for the first time this year, having been given official status as sponsors of that institution through the affiliation of the American Institute of Accountants with the National Committee having in charge arrangements for the observance of Management Week, October 25th to 30th.

Recognition is thus given to the important role filled by public accountants in bettering management. Accountants, through their participation in this movement, will be introduced to the business public as a group specially qualified to advise in problems of management.

Purpose

Management Week is a period set aside for the intensive study and discussion of any problem of management, whether of industry, commerce, finance, or social organizations. During that week, special programs and meetings are arranged in practically all the large cities of the country. In some instances one large meeting, participated in jointly by a number of organizations, is held; in others, a series of special meetings under the direction of various organizations, is arranged.

Management Week is not a very old institution, but, in the few years that it has been observed, it has attained an enviable place in the annual program of study and activity by business men, engineers, accountants and others.

The United States Department of Commerce, like the American Institute of Accountants, becomes a sponsor of Management Week this year for the first time. Both of these agencies, however, have aided unofficially in making Management Week programs of other years successes. Secretary of Commerce Herbert C. Hoover was Honorary Chair-

man of Management Week last year. Individual accountants in a number of industrial centers have taken part in Management Week programs by presenting papers and participating in discussions.

The Division of Simplified Practice of the Department of Commerce is the one specifically charged with arranging the participation of the government in the program.

Other sponsoring organizations this year are: American Society of Mechanical Engineers, American Management Association, Taylor Society, and Society of Industrial Engineers. The sponsoring organizations function through a National Committee, composed of one representative of each.

Henry S. Dennison has been named honorary chairman for this year.

He is president of the Dennison Manufacturing Company, of Framingham, Mass.; was assistant director of the Central Bureau of Planning and Statistics during the war; he is now Director of Service Relations of the United States Post-office Department; he is a trustee of Antioch College, Yellow Springs, O., and is a member of the Boston Chamber of Commerce, and of the Taylor Society. He is the author, with others, of "Profit Sharing," published in 1918.

W. H. Leffingwell, New York, is chairman of the National Committee, and Ray M. Hudson, chief of the Division of Simplified Practice, U. S. Department of Commerce, is secretary.

"Progress in Waste Elimination" was chosen as the topic for discussion at this year's meetings. In the discussions of this subject an effort will be made to appraise the results obtained during the last five years in waste elimination. It is the hope of the committee of sponsoring organizations that interest may be focused on the gains in efficiency of management which have followed the

surveys of waste in industry and commerce made by the Hoover Committee on Elimination of Waste in Industry; by the Committee on Business Cycles and Unemployment; and by the National Distribution Conference.

The three reports which were made following these surveys contain many constructive recommendations for the elimination of waste in production and distribution, and thus for "the advancement of the science and the art of administration and of management"—the aim of Management Week.

These reports made specific recommendations as to methods of curbing wastes and stabilizing business. Co-operative action by commercial and industrial groups followed in many instances, in an effort to reduce waste and to better management. It is felt that the time has arrived to check the results obtained, so this subject was selected for study and discussion this year. It is hoped that the discussions and papers will serve to show the extent of the benefits accruing from these attacks on waste.

Committee Announcement

An announcement made by the National Committee, referring to the surveys mentioned, and to the recommendations made as a result of the surveys, says, in part:

"In the interim, many business men have applied and tested these recommendations and have thus had the opportunity to determine their worth or value. The National Committee therefore deemed it advisable to choose as the subject for Management Week, 1926, 'Progress in Waste Elimination.'"

"It is desired that meetings will be given over to a review of what has been accomplished in waste elimination throughout American business in gen-

eral, and thus demonstrate how well the movement has succeeded, and also demonstrate to the public the interrelation of these several activities and the effects produced under their coordination.

"Such audit of public benefit wrought can not help but impress upon the public mind the value of consistent, concerted action toward waste elimination; and thus strengthen public appreciation and recognition of the importance and the service of Better Management."

Local Committees

Each local committee "runs its own show." It books its own speakers, defines its own program, and arranges its meeting or meetings. For the information of local committees, the National Committee has prepared a manual, in which are described the functions of the national committee, methods of organizing the local committee, how to plan the work of the local committee, suggested assignments for committee members, methods of interesting local organizations, and the most successful methods for conducting meetings.

During the 1925 Management Week, 115 meetings were held, with audiences totaling 16,000. The National Committee is striving to pass that mark this year, and expects that meetings and discussions will be held in 117 industrial centers.

The importance to the business public of these discussions can hardly be estimated, according to the National Committee. From an economic viewpoint the results of the concentration on a single subject, of the managerial, accounting, engineering, industrial, commercial, and financial brains of the country, are almost beyond comprehension. The conclusions reached from these studies and discussions should be invaluable to this country in its struggle to maintain its supremacy in the fields of commerce and industry. A standardization of practices should result, with great savings to business; and in it all the public accountant, the controller, the cost accountant, will be carrying a large share of the burden.

Reduction of Waste

The accountant is constantly striving for better management, through the medium of carefully compiled suggestions, tactfully presented, based on audits and other checks and observations. Reduction of waste, it is felt, can

be brought about primarily through better management of all the operations of an industrial or commercial undertaking.

The National Committee feels that the official recognition given Management Week by the American Institute of Accountants this year was particularly timely, in view of the service that public accountants and others in the accountancy field are rendering to industry and commerce, in their efforts to simplify processes, set up efficient checks, and measure the results of business undertakings.

Practically every process in industry, it is pointed out, from the buying and shipping of raw materials to placing the finished product in the hands of distributors or consumers, is subject to improvement by reducing waste—waste of effort, waste in handling, waste due to defective planning or lack of planning, waste in many other forms. Discovery of these wastes is largely, if not entirely, the function of the accountant and cost accountant; devising of ways of eliminating or reducing wastes is also largely the function of the accountant, aided by the engineer and others.

Likewise, in commercial lines, it is pointed out that the accountant is the one to whom the manager or owner turns logically to discover whether his methods of buying and selling, of handling goods, of making deliveries, of keeping records, are such as to bring to light the major and minor leaks, and to make a profit possible.

Business leaders gave the warning months ago that, in the post-war struggle for commercial and industrial supremacy, managers must need look closely to their business methods, their manufacturing processes; must continue to increase volume, to reduce costs of handling, in order to meet world competition. Elimination of waste thus became of prime importance.

Accountants the country over, then, are confronted with an opportunity to make their influence felt by taking active roles in the observance of Management Week. Committees in each locality are now being formed; contacts are being made with chambers of commerce, trade associations, and other bodies; programs are being arranged.

To be put in touch with a local committee, Secretary Hudson, of the National Committee on Management Week, who may be reached at the Department of Commerce in Washington, D. C., should be consulted. He will welcome inquiries from account-

ants, will inform them as to progress made, and will give them assignments as to the parts they may play.

Accountants everywhere should have at their disposal plenty of material, from their own experiences, to pass along to the audiences at Management Week meetings. Reports as to their own observations in waste elimination will be of great value to those studying this problem; specific instances could be cited that would be very helpful to others confronted with similar problems.

American Institute Represented

Cecil S. Ashdown, a member of the American Institute of Accountants, and vice-president and comptroller of the Remington Typewriter Company, is the Institute's representative on the National Committee. He has gathered some observations and facts which he is putting into the form of a general paper, on which an accountant or comptroller might base an address, supplementing Mr. Ashdown's observations with facts from his own contacts with industry, commerce, or finance.

Plans are being made to compile the papers presented this year, with the idea of publishing them in a single volume, after giving recognition to the author of the paper deemed by the committee to be the most comprehensive.

President John W. O'Leary, of the Chamber of Commerce of the United States, is preparing a special statement for publication shortly before the opening of Management Week, in which he will set forth the advantages he believes will accrue from simultaneous public discussion of questions of management. Honorary Chairman Henry S. Dennison will likewise prepare a statement to the business public, for publication shortly before the date set for Management Week, in which he will outline the purposes of this year's studies and discussions.

WANTED

ACCOUNTANTS—Leading firm of certified public accountants desires to obtain several in-charge, tax, senior assistant, and junior assistant accountants. Replies must be concise and state in order: name, address, telephone, age, religion, education, experience, present connection, salary expectation, and how soon available. Box 8, *The Pace Student*.

Recollections of Early Days of American Accountancy

[[Review of James T. Anyon's historical essay *and*
Authentic chronicle of newest of the professions]]

ACCOUNTANCY, according to James T. Anyon in his interesting "Recollections of the Early Days of American Accountancy," had its inception as a profession in the United States about forty-six years ago. In his interesting historical treatise, Mr. Anyon has chronicled the stages of development of the profession in a manner that is appealing both to members of the profession and to students of business history in general.

As a member, since 1887, of the firm of Barrow, Wade, Guthrie, & Co., one of the earliest of American accountancy firms, Mr. Anyon is particularly able to portray the early days of the profession.

Mr. Anyon takes his readers back to the time when a handful of accountants formed the first association in this country, and took the first steps to gain public recognition of the profession. The date of the birth of public accounting as a profession in this country is placed at some time between 1880 and 1883.

"I have been unable to find the name of any firm or practitioner who posed as a public accountant prior to that period," he writes.

He recounts the circumstances leading up to the organization of his own firm. Mr. Edwin Guthrie, coming to this country in the capacity of receiver in the case of a bankrupt financial concern of England, to appraise property held here, looked for a good accounting firm which might assist him in his investigations.

"He discovered that not only was the profession of accounting . . . practically unknown in this country; but there was no such thing as a responsible accounting firm upon whom he could rely for any assistance he might require in his work."

In answering the possible question which might arise in respect to the early days—"How did business firms and corporations get along in those days without the aid and service of auditors and accountants and, in their absence, who did this class of work so

necessary and essential in these times?"

Mr. Anyon says, "It was not done, because there was no one recognized as fitted by training and experience to do it. Fraud and embezzlement on the part of trusted employees, loss and confusion through defective accounting methods, and a rule-of-thumb way of arriving at important accounting results existed then, and to a lesser extent they exist now, but this was a condition that could not be helped and in consequence business men fumbled along without such aid, on the theory probably that 'where ignorance is bliss' it would be folly to change that happy mental condition."

The major portion of the work of the early firms was apparently confined to work of insurance companies. Very few commercial organizations availed themselves of the accountant's service, practically all work coming within the province of the accountant being performed by attorneys.

The few firms in existence had little or no knowledge of one another's activities. Through Mr. Anyon's efforts, however, these few pioneers were brought together; and the first organized body of professional accountants, known as the American Association of Public Accountants, in 1886 came into existence. The history and growth of this pioneer society of eight or ten original members is of extreme interest.

It is interesting to note here the names of the members of the first council of the American Association of Public Accountants, as given by Mr. Anyon. Besides himself, there were Louis M. Bertheil, George H. Church, Mark C. Merick, C. H. W. Sibley, William H. Veysey, Walter H. P. Veysey and James Yalden, all of New York; John Heins, Philadelphia; and Rodney McLaughlin, Boston.

At the time of incorporation the association had 31 members, of whom seven were associates. This number, with a few who did not join, "practically constituted all the exponents

and representatives of the profession of accounting at that time in this country."

The titles which were given to early practitioners were varied. Accountants were referred to by business men and the general public as "Experts," "Expert Accountants," or "Checkers." Advertisements read thus: "John Doe, Expert Accountant, Books written up and balanced, *Tangled Accounts straightened out.*" In short, the idea as to just what the scope of the accountant's work embraced, was extremely vague in the minds of the public at large. The author gives an interesting example of this lack of understanding in a personal incident which involved the late Hetty Green.

It is recorded that business men generally did not take very kindly to these new "experts" and the service they advertised. "If some real accounting or bookkeeping problem had to be taken in hand," Mr. Anyon writes, "the average business man would often go to his lawyer, or, better still, as costing less money, to his banker, and obtain the services of one of the bank clerks." Bankers, it is further recorded, had little or no use for the services of accountants, and lawyers looked on them in the light of trespassers on their own business preserves.

Other cases illustrating the early relations of the accountant and client present facts which clearly define the difficulties of establishing the profession in the minds of business men. Ten years after the organization of the first firm, according to Mr. Anyon, there resulted, "undoubted development and advancement in accounting in respect both to a better knowledge of the profession and to its requirements on the part of its practitioners." More commercial organizations recognized the value of the public accountant and engaged his services for auditing work and survey's incident to mergers and incorporations.

Mr. Anyon, in addition to recording the early days, from 1883-1893, discusses the present day status and future of the profession. As a pioneer he is ably qualified to render an accurate chronicle of the past years of the profession and, in light of his early and long experience, is particularly fitted to express an accurate opinion with respect to the future.

In these days when accountancy literature is lacking in work of a purely non-technical nature, Mr. Anyon's "Recollections" present a pleasant deviation for the accountant in his reading program.

Education for the Profession of Accountancy

[Continued from page 5]

—a time consuming and wasteful process—especially when the whole of experience is to be acquired there.

"Any process that shall shorten the time required for perfection, or that shall reduce the cost of training; is a socially justifiable expedient, and an economic necessity.

"In logical order, then, a scientific society is organized to encourage higher standards, to guide professional education, to promote research, to stimulate perfection in the art, to establish a code of ethics. These societies in conjunction with the schools preserve the discoveries of the past, improve upon the methods of predecessors and lay the foundation for future progress. Thus does art lead into science, and, ultimately, through research and discovery, science brings back to applied art new methods and new processes."

Commercial Law

Knowledge of the law is set up by all three commentators as an important requisite in the making of a complete accountant. Mr. Spicer even advocates requiring the candidate for clerk's articles to have a preliminary education in business law before being accepted for articles, and Mr. Elles pays particular attention in his paper to the necessity for legal training for the accountant, up to a certain point. Training in the law of business is accepted as one of the important factors in an American accountancy course.

Close on the heels of a legal training in the laws of business comes the study of economics, in the curricula outlined by all three speakers. Dr. Madden says, relative to this:

"Economics is the science of business. If accountants may be criticised for one fault more than another, it is on the score of failing to apply economics to accounting. Proper training in public and private economy is as essential as training in accounting. As a class, accountants have been justly condemned for being too engrossed in their daily work to the exclusion of public affairs. Many practitioners have contented themselves with enough background and no more to pass examinations in economics. They have given no thought to the larger problem of applying economic principles to the businesses of the clients resorting to them. It

does not require a very high order of intelligence or training to certify to the correctness of a balance sheet if this is to be the full scope of the service rendered by the practitioner. The client has a right to expect that his professional adviser will not only render service in these matters having to do with the accounts but more than this, he should receive from his accountant helpful advice on questions of business policy, business and financial conditions, problems of financial conditions, and problems of finance and management whenever he seeks such aid."

Business English

In addition to a knowledge of economics, law, and bookkeeping, of which mention already has been made, Dr. Madden believes that accountancy students should have a thorough training in the grammar and literature of their own country, and facility in writing, so that their reports may be models of clearness and good taste, instead of "the drab and uninteresting documents they frequently are."

Other subjects advocated by Dr. Madden as a part of a complete accountancy course are political science, history, production, factory management, personnel administration, finance—both public and private—history and theory of banking, and marketing methods and processes. "I would go so far as to urge that public examinations embrace all these fields of knowledge unless the student shall complete satisfactory courses in an institution of recognized standing," says Dr. Madden.

A suggestion that appears to be of great value is made by Dr. Madden to the practitioners of accountancy. He says:

Annual Graduation Exercises

Pace Institute, New York

THE annual graduation exercises of Pace Institute will be held this year at the Machinery Club, Hudson Terminal Building, 50 Church Street, New York, on Saturday, November 13, at 8 P. M. An informal reception and dance, under the auspices of The Pace Alumni Association, will follow the formal graduation exercises.

A Hidden Source of Knowledge

"Collectively the members of the profession possess a valuable wealth of economic data which remains buried in the audit papers. Has any organized effort ever been made to collect this information and make it available to the profession and through its members to the public which we serve? Why should we not endeavor to follow the practice of the medical profession in making public, with such safeguards as will suggest themselves in our case, the wealth of information which is obtained from the documents and records of clients? Every client will benefit by such a form of public service because whatever may be done to reduce the element of risk and uncertainty in business promotes the best interest of society. May we assert that we are members of a profession while at the same time adopting a policy of narrow provincialism?" Dr. Madden expressed the belief that something of this sort will take place before many years have passed on.

Comparisons and contrasts of the utmost interest as to the status of professional accountancy in the three countries and as to the direction in which the profession is tending, are provided by the papers.

Mr. Spicer says: "Bearing in mind the fact that the profession throughout the entire world is still in its infancy, that it is growing daily in national and international prestige, and that the scope of the duties of the professional accountant is constantly expanding, it is clear that too much attention cannot be given to the question as to what form of education will be most likely to produce in the future the best type of accountant to uphold the dignity of the profession."

Mr. Elles refers to the profession as one "which is quite new and developing quickly."

History of Accountancy

Dean Madden described the great strides made by the profession of accountancy during the past thirty years, spoke of the great value of the contribution which the accountant makes to the social welfare of the world, and predicted that "the accountant will be called upon to play an increasingly important role in modern business if he qualifies himself to do so."

As long ago as 1900 the New York State Society of Certified Public Ac-

countants, according to Dr. Madden, expressed the belief that "the professional accountant who is to serve his community well must not be a narrow trained juggler of figures, but on the contrary he must possess some knowledge of the whole field of business in addition to training in his special vocation."

Brief, but interesting, reviews of the history of public accounting in the three countries under consideration were presented as preliminary observations by the authors of the papers.

From Mr. Spicer it is learned that recognition in England of accountancy as a profession may be said to date from 1880, when the Institute of Chartered Accountants was incorporated by royal charter, even though various small societies of accountants existed prior to that date. Mr. Spicer makes the observation that no serious effort was made until that time to bring practicing accountants under the disciplinary control of one central organization. The Institute, according to Mr. Spicer, must have assumed that the prestige which the royal charter conferred on it would be all sufficient, and that the benefits which were then so apparent would be lasting and complete. Mr. Spicer characterizes this view as erroneous, and states that it led to what he terms the great initial blunder on the part of those who in the early days had in their hands the future welfare of the profession in England. This blunder, according to Mr. Spicer was that they did not take requisite steps to obtain parliamentary sanction to the closing of the profession, and then prevent any person who had not obtained the qualification of a chartered accountant from practicing as a professional accountant.

"This was not done, however" says Mr. Spicer, "and as a result the Society of Incorporated Accountants and Auditors was formed in the year 1885." He gives the Society a very high standing in England, and notes that from the start it has demanded a very high standard of efficiency from its members. He notes further that there is nothing to prevent the multiplication of such bodies of accountants, and comments that the standard of efficiency demanded of the qualified professional accountant varies with the whim of the particular society to which he is attached. This Mr. Spicer characterizes as an unsatisfactory state of affairs, but he expresses the belief that great practical difficulties stand in the way of any effort on the part

of the stronger societies to close the profession.

Development of Profession in Holland

Mr. Elles is less specific in his brief outline of the development of the profession in Holland, as to when it made its start. He points out that accountants in the early days were nearly all in private employment, and that they gradually extended the sphere of their activities. In the beginning of the development of the profession in Holland the accountant was in the first place controller. For several years, according to Mr. Elles, he remained a controller for the principal part. "In some cases," says Mr. Elles, "he was besides this also adviser and organizer, but the doing of control work was his principal business, for which gradually he appointed a staff of assistants who were in his employ and worked under his direction."

Dr. Madden's brief outline of the history of accounting in the United States is of exceptional interest. He says that the earliest reference in our law to the subject of bookkeeping and accounting, insofar as the educational aspect is concerned, is found in a statute enacted by the legislature of Massachusetts in 1826, which ordained that every town of five hundred families should provide a master to give instruction in several subjects of secondary school grade, the first mentioned being the history of the United States and bookkeeping. "Thus," says Dr. Madden, "at this early date the importance

of instruction in the keeping of accounts was recognized."

Legal Recognition

Legal recognition of the profession in the United States dates from 1896, when the legislature of New York enacted the first certified public accountant law. Dr. Madden tells of the enactment of similar laws in succeeding years in all the other states, and in several of the territories.

From all three papers it is apparent that there is a consciousness in the profession of the great responsibility borne by the public accountant, and of the importance to the public of the proper functioning of the accountant. That was the keynote, and the commentators are agreed that the education of coming practitioners should be so shaped that they will be equipped to assume the great responsibility of a public accountant. In every paper there was the thought that the qualifications for practitioners of accountancy should be raised. In every paper, too, there appeared the thought that accountancy is a young profession, and that it is developing rapidly, being faced by great opportunities which cannot help but inspire the student or worker who aspires to become a public accountant and play a part in the business life of his country.

BERNARD H. VOELKER, a graduate of Pace Institute, New York, was among the successful candidates who sat for the New York State C.P.A. examination in May, 1926.

PACE ALUMNI ASSOCIATION

J. H. TREGOE, executive manager, secretary and treasurer of the National Association of Credit Men, will be the principal speaker at the next regular monthly meeting of the Association to be held at the Machinery Club, 50 Church Street, New York, on Saturday, October 16, at 1:30 P.M. Plenty of music and songs by Cordes & Marks. Members are urged to make early reservations, as a big turnout is expected; send your check to the Executive Secretary today (\$1.65 per person).

You may bring one or more guests if you wish.

F. M. SCHAEBERLE, *Executive Secretary*

Accountants' Committee Meeting, American Arbitration Society

*J. Pryse Goodwin Reelected Chairman
Plans to Enlarge Scope of Activities
Educational Programs Advocated*

ORDERLY, clean-cut, and far-reaching development of commercial arbitration in its relation to accountancy is forecast for the coming year by plans made at the first meeting of the season of the Accountant's Committee of the American Arbitration Association, at the Up-Town Club, New York, on September 16th, when a well-defined program of activities was adopted.

Lucius R. Eastman, chairman of the American Arbitration Association, has just named the new Accountants' Committee of that organization. This year's committee is more widespread in its membership than those of previous years and somewhat larger. In its makeup it reflects the growing interest on the part of accountants in arbitration.

Goodwin Reelected

J. Pryse Goodwin, New York, who served as chairman of the committee last year, was reelected by the committee at the luncheon meeting in September as chairman for the coming year. He presented a proposed program of work which was enthusiastically adopted. Plans were made for an adjourned meeting of the committee, to be held at Atlantic City September 21st, in conjunction with the annual meeting of the American Institute of Accountants. Further recognition was given to arbitration by the accountancy profession in September by the inclusion in the program of the annual meeting of the American Society of Certified Public Accountants, at Washington, of an address by Judge Moses H. Grossman, vice-president of the American Arbitration Association.

That accountants of this country, particularly those in professional practice, are awake to the possibilities of commercial arbitration, is indicated by these important developments of the past month.

To Educate Business Men

Efforts of accountants for the furtherance of commercial arbitration will be devoted to disseminating information among business men as to what commercial arbitration is and how it works; to the enactment of new arbitration laws in states where there are no such statutes, or where they are defective; and to establishing courses of study in commercial arbitration.

A call for accountants who are familiar with commercial arbitration to accept speaking engagements, was made at the organization meeting of the committee. There are scores of organizations, it was pointed out, which are eager to be told something definite with respect to this method of settling commercial disputes. These organizations include chambers of commerce, civic bodies, trade associations, and the like.

Accountants who are willing to act as arbitrators are also asked to communicate with the committee which will transmit the information to local bodies and arbitration tribunals.

It is planned to ask every organization of accountants and many local organizations of business men to plan at least one meeting during the coming year for the presentation of facts relative to commercial arbitration. This is for the purpose of acquainting the business public with what is being accomplished through the application of

this method of settling business disputes.

Legislation affecting commercial arbitration and making possible its wider use in the states of the union will claim the attention of accountants in many sections. The American Arbitration Association has been working for months on a model state arbitration measure; and with nearly forty state Legislatures scheduled to hold sessions in the coming year, it is believed that at least a half dozen states will be added to the present list of four which boast modern and comprehensive arbitration statutes.

Officers of the American Arbitration Association freely expressed the opinion to the Accountants' Committee at its organization meeting that the accountants of the country can be of the greatest help in forwarding the campaigns in the various states for the enactment of arbitration laws. Provision was made for a sub-committee to have charge of this work. Homer S. Pace is chairman of this committee.

Excellent progress has been made in the establishment of courses in commercial arbitration in schools of commerce of large universities and in private schools in accounting and commercial courses. A number of universities have made plans to offer such courses at once, Study of the commercial arbitration laws of New York and other states has long been included in the course of Pace Institute.

Prizes to be Offered

The compilation of courses in commercial arbitration, which will instruct arbitrators with respect to the correct methods of conducting

hearings, what they must do under the laws and what they must avoid, if the hearings and awards are to be free from attack in the courts, will claim the attention of a special sub-committee headed by Dean John T. Madden, head of the School of Commerce, Accounts and Finance of New York University. Prizes are to be offered in a number of instances for the best solutions of commercial arbitration problems, and it is expected that a number of scholarships will be set up.

There is a singular lack of literature on commercial arbitration, it was pointed out, and Dean Madden's committee, in compiling courses of study, is charged with the duty of stimulating the writing of texts on this subject.

That questions and problems relating to commercial arbitration may soon be included in accountancy examinations is indicated from expressions heard at the committee meeting. For the present these questions may be made optional, but it is believed that after a few years they will be included regularly as a part of accountancy examinations. A. S. Fedde, chairman of the Board of Examiners of the American Institute of Accountants, was

named chairman of the sub-committee of accountancy examiners, which will study the relationship between arbitration and accountancy, give notice to applicants of the inclusion of arbitration questions in examinations, interest boards of examiners of the various states, and furnish questions on arbitrations when requested to do so.

A fourth sub-committee, under the chairmanship of _____ will devote its efforts to state problems, interesting state organizations, studying the laws and conditions in the various states, and coordinating the efforts of accountants to advance the cause of commercial arbitration.

The constructive interest that accountants have shown in commercial arbitration during the past three years has served to arouse interest in the subject on the part of many trade organizations.

"You accountants have caused many groups to take a serious interest in this subject," an officer of the American Arbitration Association told the committee. "Your example has been very effective in bringing other groups to a serious study of the matter. It is

evident that your professional standing and your action in this respect are of far-reaching influence."

Chairman Goodwin was complimented highly by the American Arbitration Association and by his committee on the comprehensive plan of activity which he presented.

The newly appointed Accountants' Committee of the American Arbitration Association includes:

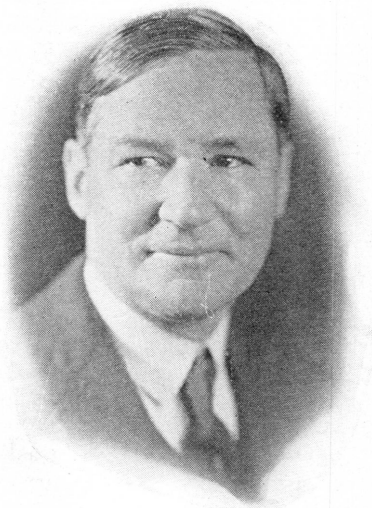
Homer A. Dunn, C. M. Finney, Charles Hecht, S. D. Leidesdorf, John B. Niven, Arthur W. Teele, E. A. Camman, James F. Hughes, Homer S. Pace, James Frederick White, John T. Madden, Robert H. Montgomery, A. S. Fedde, and Henry L. Mendes, all of New York; Clinton H. Scovell and J. Edward Masters, of Boston; Emory B. Johnson, Philadelphia; P. C. Davis, Seattle, Wash.; Richard Fitzgerald, Detroit, Mich.; Durand W. Springer, Ann Arbor, Mich.; R. C. Lloyd, New Orleans, La.; S. Earl Shook, Bridgeport, Conn.; Edwin H. Wagner, St. Louis, Mo.; Lewis Wintermute, Cleveland, O.; J. Hugh Jackson, Cambridge, Mass.; Herbert F. Seward, New Haven, Conn.; James F. Welch, Paterson, N. J.; and Edward E. Gore, Chicago, Ill.

All-day Meetings of N.Y. and N.J. Societies

TWO fixtures in the calendar of accountants in the eastern states are at hand, the annual all-day meetings of the New York and the New Jersey State Societies of Certified Public Accountants. These all-day sessions rank in importance and interest not far behind the annual meetings of the national organizations of professional accountants, as these two bodies include in their membership more than 1,000 of the practising public accountants of the country. The standard set by previous all-day meetings is high, and accountants generally have come to look on these gatherings as high spots in the fall program of activities.

The New York State Society will hold its meeting on Thursday, October 21st. An interesting and instructive program is contemplated and several prominent speakers will address the Society on accounting matters.

The all-day meeting of the New Jersey State Society is announced for October 19th, with Governor A. Harry



Gov. A. HARRY MOORE

Moore of New Jersey as one of the speakers. The program will begin at

10:30 o'clock in the morning, and will include a dinner and several addresses in the evening. Dean John T. Madden, of the School of Commerce, Finance and Accounts of New York University, will open the program, and will be followed during the day by Professor Michael N. Chanalís of the New Jersey Law School, who will speak on "Corporation Law and Its Relation to the Practice of Accountancy"; Harold Dudley Greeley, New York, "Trust Estate Accounting"; Melbourne S. Moyer, "Industrial Financing From the Standpoint of the Corporation."

Besides Governor Moore, the Society will have as its guests and speakers during the evening John E. Gill, of Rider College, and George O. May, of New York.

Arrangements for the New Jersey Society's meeting are in the hands of its officers, James F. Hughes, president; Maurice E. Peloubet, first vice-president; William C. Heaton, second vice-president; Morris J. Hoenig, treasurer; Julius E. Flink, secretary.

Who Audits the Banks?

IN a past issue of *The Pace Student* there appeared an inquiry originating in a foreign country with respect to compulsory auditing of the accounts of banking institutions and corporations. The specific question with respect to the banking institution was: "Who does the auditing in the banking institutions?" The Editor answered this question as follows:

"First, we have two classes of banking organizations—those organized under the laws of the Federal Government, known as National Banks, and those organized under the forty-eight state governments or under the government of the District of Columbia, known generally as State Banks. The state organizations include, in addition to ordinary banks, trust companies, savings banks, and building and loan associations. Banks, both Federal and State, are required to maintain certain reserves in cash, in order to protect depositors, and are limited as to the character of loans that may be made.

"Compliance with the banking laws, both Federal and State, is enforced by special officers of the government and states, known as bank examiners. The federal bank examiners make periodical examinations of the federal banks, located throughout the entire country; and the state bank examiners perform a similar service with respect to state banks.

"The official examiner determines whether or not full compliance is made with the laws. He makes, in effect, an audit of assets and liabilities, and tests the bank on every point that affects its solvency—amount and character of assets, character of loans, losses from bad debts, and the like.

"We have few, if any, laws in the United States that make it necessary for a corporation, whether a banking corporation or otherwise, to have its accounts audited by public accountants. The Federal Government requires national banks to file reports, and the various state governments require each corporation, whether a banking corporation or otherwise, to file an annual report, which includes a balance sheet. There is no provision, however, that the accounts must be audited, or that the balance sheet thus filed must be verified or certified by accountants."

The following comment by the President of the Ohio Association of Bank Auditors we are sure will be of current interest:

"I was very much interested in reading the inquiry originating in a foreign country, pertaining to examinations of banks and other corporations, and your reply which appeared in *The Pace Student*.

"Your answers are excellent and, I believe, cover in a general way nearly every feature of the work, except that you did not entirely clear up the matter of auditing in the banks and examinations of Federal Reserve banks.

"It is very true that the laws of our country do not specify that banks shall have audit departments, but it is a fact that most banks that have sizable assets are protected by means of thorough audits and examinations by an audit department of the bank. The fact that they do have good audit departments, makes the work of the itinerant examiner much easier, because those banks are very apt to be thoroughly systematized, particularly from an accounting standpoint, and the audit department's duty is to see that the accounting work is done properly, and the assets and liabilities of the banks are carried on the books properly and balance out at the time of the examination of the different departments or items as carried on the general ledger."

"I believe it can be conclusively proved that very few failures occur in those banks which maintain an audit department, whose activities are under the personal direction of an auditor who reports his conclusions directly to the Board of Directors.

"You are probably aware that the Federal Reserve Act provides that there shall be an examining force under the direction of the Federal Reserve Board, which must make an examination once each year of all Federal Reserve banks, reporting back to the Federal Reserve Board.

"In justice to a number of good auditors who are members of the association of which I am President, I felt it my duty to bring this matter to your attention, as I am sure you did not willingly permit your answers to convey the wrong impression in replying to several of the questions asked by your correspondent."

Tregoe to Address Alumni Association

J. H. TREGOE, executive manager of the National Association of Credit Men, has accepted an invitation to address members and guests of the Pace Alumni Association at the October meeting, to be held October 16, at 1:30 o'clock, at the Machinery Club, 50 Church Street.



J. H. TREGOE

Mr. Tregoe is the one man to whom a great deal of credit, if not the greatest part, is given by the business public for having conceived and put into execution the idea of creating a large defense fund for the protection of credit through the relentless prosecution of those who commit credit frauds.

On Mr. Tregoe fell the burden of organizing the great campaign to create the defense fund, and on him fell also much of the detail of carrying out that campaign.

How this fund is being administered, and the effect the campaign of prosecution conducted by the credit men is having on the men who formerly took millions of dollars yearly from business men through fraudulent bankruptcies and other credit frauds, will be described by Mr. Tregoe.

During the past two years relations between accountants and credit men have been strengthened materially, largely through the cooperative spirit evidenced by Mr. Tregoe. No doubt the opportunity to hear him will be welcomed by the members.

Thrifty New Yorkers

DESPITE the high costs of living and taxes, the American people are putting by a tidy bit as a reserve for emergencies. In support of this statement, consider for a moment the statistics available in the report of the Superintendent of Banks relative to savings banks and trust companies, rendered annually to the State Legislature of the State of New York. The report made as at January 1, 1926, indicates that the depositors in savings banks in New York State alone had over thirty-six hundred million dollars on deposit at that date—truly a stupendous sum.

Furthermore, the report shows that during the year ended January 1, 1926, there was deposited in savings banks in the State of New York over twelve hundred million dollars, and over eleven hundred million dollars was withdrawn. The depositors received over one hundred thirty-six million dollars as dividends paid and credited to them during the year, out of the earnings by the banks. This one hundred thirty-six million dollars is in addition to the amounts deposited by the depositors themselves. There were over four and one-half million open accounts as at January 1, 1926—about one account to about every three persons.

The financial facts as to aggregate financial condition of all of the banks in New York State as at January 1, 1926, and certain statistics respecting transactions with depositors are given in table at bottom of page.

Book Review

MODERN Retail Methods, Records and Accounting—By Lynn M. Comstock. Published and distributed by United States Corporation Company, 150 Broadway, New York, N. Y.; 522 pages; \$10.00.

Aside from its value to the merchant, because of a complete and detailed exposition of retail stores' operating procedures, this volume, by a man whose experience includes twenty years' work with John Wanamaker and with Lord and Taylor, will be of especial interest to the accountant who seeks information in the field of department-store and other retail-store books of account and records. The book is eminently practical, and, in the words of the author, aims "to present the general and departmental routines of a retail store in such manner as to enable the merchant to install the systems outlined, or any part of them, directly from the book."

The four major sections of Mr. Comstock's work relate to the Merchandise Division, the Publicity Division, the

Store Service Division, and the Finance and Accounting Division of the modern department store. Each section is divided into chapters covering in very great detail the manner in which the work of the various departments is carried on. In each case in which an operation is explained, the fashion in which records are built up is also set forth. The whole volume is amply illustrated, and many important forms and records are shown.

The section on the Finance and Accounting Division explains the workings of the Comptroller's Office, the Auditing Department, the Credit Department, the Accounts Payable Department, the Statistical Department, the General Bookkeeping Department, and the Tabulating Department. A complete chart of accounts for a large department store is given, together with forms of statements. The whole accounting procedure is based upon a system assumed as the basis of the procedures explained in the book. When variations in procedure are found in practice, the book is careful to give details of the variations also.

The entire volume is extremely well indexed, as to general content, as to forms illustrated, and as to individual paragraphs. Perhaps the only criticism to be offered will apply to the language employed, which occasionally evidences lapses from really excellent usage. On the whole the presentation is very clear, and the volume will serve as a first-rate handbook in its field.

AGGREGATE FINANCIAL CONDITION OF NEW YORK SAVINGS BANK AND TRUST COMPANIES AS AT JANUARY 1, 1926.

RESOURCES

| | |
|---|-----------------|
| Bonds and mortgages..... | \$2,339,471,535 |
| Stock and bond investments, estimated market value..... | 1,455,800,608 |
| Promissory notes..... | 11,129,596 |
| Bankers' acceptance and bills of exchange..... | 1,336,687 |
| Banking houses and lots..... | 41,654,582 |
| Other real estate..... | 2,776,015 |
| Cash on deposit in banks and trust companies..... | 120,914,852 |
| Cash on hand..... | 16,518,963 |
| Total of collectible interest..... | 46,058,537 |
| Other assets..... | 1,938,450 |

*\$4,043,599,830

LIABILITIES

| | |
|--|-----------------|
| Amount due depositors..... | \$3,607,162,722 |
| Other liabilities..... | 3,133,207 |
| Surplus on estimated market value of stocks and bonds..... | 433,303,899 |

*\$4,043,599,830

| | |
|--|-----------|
| Number of open accounts..... | 4,541,331 |
| Number of accounts opened or reopened during the year..... | 883,986 |
| Number of accounts closed during the year..... | 719,749 |

| | |
|---|-----------------|
| Amount deposited during the year, not including dividends credited..... | \$1,238,970,922 |
| Amount withdrawn during the year..... | 1,165,962,048 |
| Amount of dividends paid and credited during the year..... | 136,810,541 |

*The discrepancies in the footings of the Resources and Liabilities sections result from the cents amounts not being included in the above statement.—Statement reprinted from Association News Bulletin.

RECKITT, BENINGTON & LE-CLEAR, of Chicago, Illinois, announce that the co-partnership heretofore existing between themselves, has been dissolved, Mr. Ernest Reckitt retiring from practice as a certified public accountant in order to devote his time to his personal interests. Mr. Harold Benington and Mr. Walter M. LeClear have entered into a new co-partnership under the title of Reckitt, Benington & LeClear for the purpose of taking over the good will and practice of the old firm.

CLIFFORD J. McMILLAN, of the law faculty of the San Francisco Institute of Accountancy, conducting the Pace courses in Accountancy and Business Administration, was recently appointed corporation commissioner for the State of California. Mr. McMillan will continue to lecture on the law of corporations in the Institute.

Officers of Accountants' Organizations

American Institute of Accountants

| | |
|---|--|
| <i>President</i> , WILLIAM H. WEST | 40 Rector Street, New York |
| <i>Vice-Presidents</i> , FREDERICK H. HURDMAN | 350 Madison Avenue, New York |
| JOHN R. RUCKSTELL | Claus Spreckles Bldg., San Francisco, Calif. |
| <i>Treasurer</i> , ARTHUR W. TEELE | 120 Broadway, New York |
| <i>Secretary</i> , A. P. RICHARDSON | 135 Cedar Street, New York |

American Society of Certified Public Accountants

| | |
|--|---|
| <i>President</i> , JAMES A. COUNCILOR | 426 Woodward Bldg., Washington, D. C. |
| <i>Vice-Presidents</i> , PAUL W. PINKERTON | 30 North La Salle Street, Chicago, Ill. |
| JAMES F. HUGHES | 110 William Street, New York |
| <i>Secretary</i> , D. W. SPRINGER | Ann Arbor, Michigan |
| <i>Treasurer</i> , T. COLEMAN ANDREWS | Richmond, Va. |

National Association of Cost Accountants

| | |
|--|--|
| <i>President</i> , C. M. FINNEY | Worthington Pump & Machinery Corporation, New York |
| <i>Vice-Presidents</i> , C. R. STEVENSON | Stevenson, Harrison & Jordan, New York |
| F. L. Sweetser | Dutchess Mfg. Co., Poughkeepsie, N. Y. |
| <i>Treasurer</i> , WM. O. CUTTER | United States Rubber Co., New York |
| <i>Secretary</i> , STUART C. MCLEOD | 130 West 42nd Street, New York |

New York State Society of Certified Public Accountants

| | |
|--|-------------------------------|
| <i>President</i> , JOSEPH J. KLEIN | 19 West 44th Street, New York |
| <i>First Vice-President</i> , P. W. R. GLOVER | 120 Broadway, New York |
| <i>Second Vice-President</i> , NORMAN E. WEBSTER | 60 Broadway, New York |
| <i>Treasurer</i> , HAROLD A. WYTHES | 50 Church Street, New York |
| <i>Secretary</i> , MARTIN KORTJOHN | 15 Park Row, New York |

The Society of Certified Public Accountants of the State of New Jersey

| | |
|---|---------------------------------------|
| <i>President</i> , JAMES F. HUGHES | 110 William Street, New York |
| <i>Vice-Presidents</i> , M. E. PELOUBET | 25 Broadway, New York |
| WILLIAM C. HEATON | 565 Fifth Avenue, New York |
| <i>Secretary</i> , J. E. FLINK | 31 Clinton Street, Newark, New Jersey |
| <i>Treasurer</i> , MORRIS J. HOENIG | 9 Clinton Street, Newark, New Jersey |

American Association of University Instructors in Accounting

| | |
|--|-------------------------|
| <i>President</i> , EDWARD J. FILBEY | University of Illinois |
| <i>Vice-Presidents</i> , J. HUGH JACKSON | Harvard University |
| DAVID HIMMELBLAU | Northwestern University |
| WILLIAM S. KREBS | Washington University |
| <i>Secretary-Treasurer</i> , HOWARD C. GREER | Ohio State University |

Progressive work assignments, adapted from actual practice, bring the students of Pace Institute into the world of facts as they are—they develop a technical work habit both accurate and speedy—they clinch and reinforce the theory developed, lecture by lecture, during three years of intensive study.

Intimate teacher-and-student association at the Institute has paved the way for many a worth-while career, for the achievement of many worthy ambitions in Accountancy and Business. And the way is still open, the opportunities still legion.

In the resident school—30 Church Street, New York—day and evening classes will be formed from week to week until one thousand Freshmen (beginning students) are registered. In the Extension Division (instruction by mail) enrollment can be made at any time upon payment of \$7.00—there is no further liability. Ask at once for a copy of Pace Institute Men.

PACE INSTITUTE

30 CHURCH STREET

NEW YORK